262 Travel Inns

62 Marriott hotels

650 Pub restaurants

930 High street restaurants

44 Health and fitness clubs

£354m

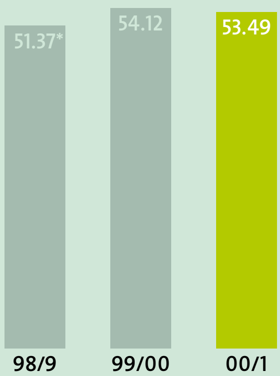
23% increase in future Whitbread EBITDA before exceptional items

	future Whitbread*		Total group**	
Turnover (including share of joint ventures)	£1,709m	+17%	£3,095m	–17%
EBITDA before exceptional items	£354m	+23%	£585m	+2%
Operating profit before exceptional items	£241m	+22%	£428m	+4%
Profit before exceptional items and tax			£335m	–4%
Profit before tax			£292m	+14%
Adjusted earnings per share			53.49p	–1%
Dividend per share			31.15p	+6%

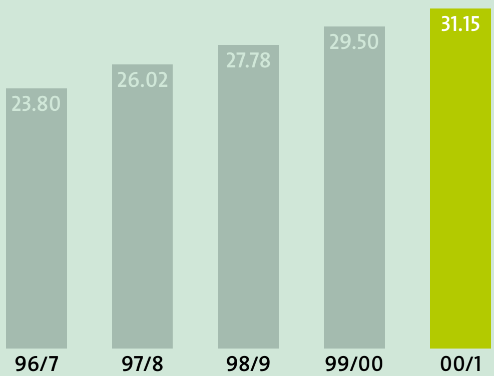
*Divisional results for Hotels, Restaurants and Sports, health and fitness.
**Part year only for Beer Company and First Quench.

Total group profit before exceptional items and tax
(£m)

Adjusted basic earnings per share
(pence)



Ordinary dividends per share
(pence)



*On a comparable post FRS 15 basis

31.15p
Ordinary dividend per share

53.49p
Adjusted earnings per share

Dear Shareholder,

Future Whitbread has made a flying start with strong sales and profit growth and an improvement in overall margin.

The last year has seen a transformation of Whitbread as we have sold slow growth businesses to concentrate our firepower on more dynamic markets. In lodging, eating-out and active leisure we have strong brands, leading market positions and exciting prospects.

Last year we set our brands the challenging target of a 5% annual like-for-like sales growth. I am pleased to report that Marriott, Travel Inn, Costa and David Lloyd Leisure exceeded this target with Brewers Fayre and Pizza Hut close to it.

In Hotels, Marriott's yield premium to the market increased to 17%. The first 10 Swallow Hotels have successfully converted to Marriott and total Marriott rooms have now grown to 8,688. The conversion programme is on schedule with seven hotels becoming Marriotts in Spring 2001 and most of the remaining hotels following in the current financial year.

The Travel Inn brand goes from strength to strength with a total of 29 new hotels coming on line during the year. It is now the country's largest budget hotel chain with 262 hotels and 14,186 rooms at the end of the year. In January, Travel Inn became the first UK hotel brand to offer a 100% guarantee of satisfaction to its customers.

The major opportunities within our Restaurants Division are to grow Brewers Fayre to its optimum size and to achieve the full potential of the Beefeater estate which consists of 257 of the country's best large restaurant sites. The first new restaurant concept to be introduced to this estate, Out & Out, has started well and will be established in at least 40 sites by the end of the current year.

After a slow start to the year, David Lloyd Leisure's membership sales grew dramatically in the second half and for the year as a whole were 23% ahead. The brand's leadership position was confirmed by an NOP survey which put public awareness of David Lloyd Leisure at three times the rating of the nearest competitor.

On 19 October 2000 the Board announced its intention to realise the value in the Pubs & Bars division and to return 75% of the net proceeds to shareholders. An agreement was reached with Morgan Grenfell Private Equity on 20 March 2001 which values Pubs & Bars at £1,625 million – some 40% ahead of book value. The return of value to shareholders, amounting to £2.30 per share, is expected to take place in early June.

Current trading and prospects
The new financial year has started well with all future Whitbread divisions in like-for-like sales growth for the first five weeks and on track to achieve the same for the rest of April. Marriott has been affected by a fall in the number of US visitors to London but management action has already been taken to mitigate the impact. For the year as a whole, food input prices are expected to remain below inflation as a result of buying efficiencies. A further trading update will be given at the time of the AGM in June.

The Board
There have been a number of recent changes to the Board. Two executive directors have retired; Miles Templeman made a major contribution to the Beer business over many years; and Alan Perelman stepped down after 11 years as finance director. In addition, four non-executive directors – Sir Michael Angus (my predecessor), Martin Broughton, Lord MacLaurin and Karel Vuursteen – also retired. Each of them has contributed to Whitbread's performance and I should like to thank them on behalf of our shareholders. We have been joined by Stewart Miller and Alan Parker as executive directors and Charles Gurassa and David Turner as non-executive

+22%

future Whitbread operating profit before exceptional items

+23%

David Lloyd Leisure membership increase

directors – all of whom bring extensive business experience to our meetings. In addition, David Richardson, previously strategic planning director, became finance director.

Whitbread's people

Whitbread has always prided itself on being a people business. The major corporate transactions undertaken during the year and the growth in sales and profits for future Whitbread would not have been achieved without the commitment and professionalism of everyone involved.

This has been a year of momentous change. On behalf of our shareholders I should like to thank all of our people for their hard work and dedication that made the progress of last year possible.

Dividends

A final dividend of 23.10 pence per existing share is proposed which will make a total dividend for the year of 31.15 pence. This will be paid on 13 July 2001 to shareholders on the register at the close of business on 18 May 2001. As this is after the date of the proposed share capital consolidation, the dividend actually paid will be 38.50 pence per share on the lower number of consolidated shares.

The total cash dividend in future will reduce as a result of the lower number of shares in issue and because the Board intends to adopt a dividend policy that will initially be based on an overall dividend cover of approximately 2.5 times compared with a current cover of 1.7 times. Such a policy will be implemented for the first time in respect of the interim dividend for the financial year to 2 March 2002.

Sir John Banham
Chairman

1 May 2001

Proforma results and net assets of future Whitbread divisions

	2000/1				1999/00			
	Turnover	EBITDA	Profit	Net assets	Turnover	EBITDA	Profit	Net assets
Marriott/Swallow	403	115	79	1,169	256	66	45	1,103
Travel Inn	158	70	56	424*	142	63	50	385*
Hotels	561	185	135	1,593	398	129	95	1,488
Restaurants	1,010	123	78	941	962	123	81	907
Sports, health and fitness	138	46	28	423	103	36	22	402
future Whitbread divisions	1,709	354	241	2,957	1,463	288	198	2,797

*Estimated

SUMMARY

Four strategic initiatives have had a significant impact on the accounts for 2000/1:

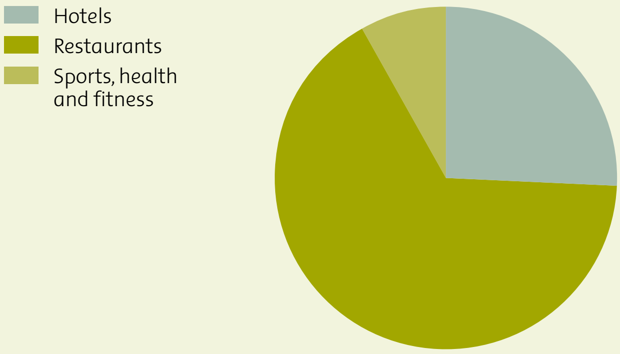
– the acquisition of the Swallow Group in January 2000.

– the disposal of the Whitbread Beer Company in May 2000.

– the disposal of Whitbread's 50% interest in the First Quench off-licence joint venture in October 2000.

– the establishment in February 2001 of Whitbread Holdings as the new holding company for Whitbread and the agreement signed, after the year end, in March 2001 to demerge the Pubs & Bars division.

future Whitbread turnover year ended 3 March 2001



The effects of these initiatives are described later in this report. After the completion of the demerger of Pubs & Bars, future Whitbread will comprise the Whitbread Hotel Company, Whitbread Restaurants and David Lloyd Leisure.

The comparative period for these results (1999/00) contained 53 weeks. This benefited sales and profits in that year.

Operating profit and EBITDA figures, where referred to in this report, are stated before exceptional items (see note 5 to the accounts).

Turnover including joint ventures fell by 17% as a result of the disposals referred to above. Like-for-like sales increased by 2.5% while sales of future Whitbread increased by 17%. Group turnover, which excludes sales of joint ventures, fell by 12%.

Operating profit before exceptional items grew by 4%. Operating profit for future Whitbread divisions increased by 22%. The profit contribution of each business is described in the Operating Review which follows. In 2001/2 the results of all Travel Inns operated by Whitbread will be reported under 'Hotels'. Currently Travel Inns adjacent to Restaurants' outlets and David Lloyd Leisure clubs are reported within the results of those divisions. A proforma of the estimated 2000/1 results on this basis, with comparatives, is shown in the table above.

Earnings before interest, tax, depreciation and amortisation (EBITDA) and before exceptional items, which is a good indicator of cash generation, grew by 2%. Once again year over year growth was significantly affected by the strategic initiatives described earlier. EBITDA by division is reported in the Operating Review.

Profit before exceptional items and tax was down by 4%. This result reflects the profit dilution from the disposal of the Whitbread Beer Company. In the longer term, it is anticipated that the reinvestment of the proceeds of its sale will generate a higher return than that which would have been generated by retaining our beer business.

Earnings per share was up by 10%. Adjusted EPS was down by 1%, reflecting the factors already referred to. The proposed final dividend is 23.10 pence per share, a 5.7% increase on last year. The full year's dividend per share, interim plus final, is up by 5.6% to 31.15 pence per share. The proposed final dividend of 23.10 pence is equivalent to 38.50 pence per share in respect of each share held, after taking account of the proposed share capital consolidation (see Finance Review – page 7).

Capital expenditure – £332 million (1999/00: £372 million) was invested in existing businesses in the year. Of this amount £235 million related to future Whitbread and included £120 million on acquiring and developing new retail sites. Most of the new site expenditure was spent by Marriott Hotels, Travel Inns, David Lloyd Leisure and Brewers Fayre.

David Thomas
Chief Executive

Capital expenditure (£m)

	2000/1	1999/00
Beer	**12**	55
Pubs & Bars	**85**	115
Restaurants	**93**	64
Hotels	**101**	58
Sports, health and fitness	**33**	77
Other	**8**	3
	332	372

Cash inflow before financing was £461 million. This figure includes net proceeds from businesses sold of £500 million. After adjusting for this, for the expenditure on acquiring and developing new sites and for businesses acquired, the underlying cash flow was £92 million.

OPERATING REVIEW

HOTELS

– Sales	£440m	+53%
– Like-for-like sales		+9%
– EBITDA	£129m	+66%
– Operating profit	£90m	+66%
– Capital expenditure	£101m	

Marriott occupancy was 75% and achieved room rates rose 8% to £83.13. Revenue per available room was up 8% to £62.35. The brand's yield premium to the market was 17%. Guest satisfaction scores grew 2% points to 81%. The Marriott brand was voted the British Business Travellers' Leading Choice Hotel Brand of the Year in the 2001 British hotel guest survey.

Swallow hotels' total and like-for-like sales were disrupted by the conversion to the Marriott brand. Ten hotels converted in summer 2000 and a further seven in spring 2001. Five more will follow by the autumn. The Swallow acquisition as a whole is on track to achieve the returns expected in its third full year.

Travel Inn occupancy within the Hotel Company was 85% with total accommodation sales up 19%. Including the joint venture with Punch Retail and the management agreement with Road Chef, 29 new Travel Inns were opened during the year bringing the total to 262 with 14,186 rooms.

Total hotel profit including Travel Inns reported through other businesses was £135 million. With 336 hotels and 25,000 rooms, Whitbread is now the second largest operator in the UK hotel market. There are a further 16 hotels currently under development.

Total hotel like-for-like sales grew 7% with Marriott up 9% and the Travel Inn brand up 5%.

RESTAURANTS

– Sales	£1,130m	+5%
– Like-for-like sales		+2%
– EBITDA	£179m	+3%
– Operating profit	£123m	+1%
– Capital expenditure	£93m	

Restaurant sales and profit growth were largely driven by the three big brands of Brewers Fayre, Beefeater and adjacent Travel Inns. Together these brands represented 91% of Restaurant operating profit – Brewers Fayre (38%), Travel Inn (36%) and Beefeater (17%). Like-for-like sales for the UK brands were 3% ahead with good performances from Pizza Hut and Costa.

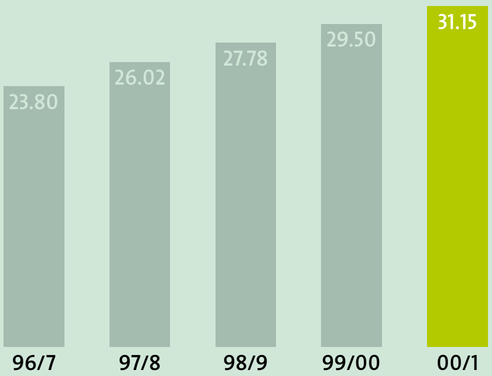
In October the Restaurants Division announced the provisional results of a review of brands. The major features were:

– the expansion of the successful Brewsters brand to 200 sites;
– the planned segmentation of the 258 strong Beefeater estate;
– the expansion of Costa to 500 sites;
– the disposal of 140 sites – some 10% of the total;
– the trial of updated Café Rouge, Bella Pasta and T.G.I. Friday's brands.

All these strategies are now being implemented and their success is being monitored in order to complete the review process in the current financial year.

Brewers Fayre grew total sales by 8% and like-for-like sales by 4%. The brand grew from 386 to 393 sites – 120 of them Brewsters. Average weekly sales in Brewsters were boosted some 7% following conversion.

Ordinary dividends per share
(pence)



Beefeater grew total sales by 0.4% and like-for-like sales by 2%. Final quarter like-for-like sales increased by 3%. The new Out & Out restaurant pub brand was introduced to 13 sites. A further 30 Beefeaters will become Out & Outs in the current financial year. New brands for the remainder of the estate are currently in trial.

Pizza Hut grew total sales by 6% and like-for-like sales by 4%. Full service restaurants achieved like-for-like sales up 5%. The number of outlets trading at the end of the year was 442.

Pelican, which consists mainly of the Café Rouge and Bella Pasta brands, saw total sales decline by 4% following the closure of restaurants but like-for-like sales were slightly ahead by 0.5% and by 5% in the core estate for the final quarter of the year.

T.G.I. Friday's grew total sales by 10% although like-for-like sales were down by 5%. Management actions to redress the like-for-like performance began to take effect in the final quarter of the year.

Whitbread Restaurants Germany achieved like-for-like sales growth of 2% before they were affected by customer concern over BSE in the second half of the year. For the year as a whole, sales in local currency declined by 0.4% in total and 4% on a like-for-like basis.

Costa grew total sales by 44% and like-for-like sales by 10%. The number of units trading grew from 192 to 253 in the course of the year.

SPORTS, HEALTH AND FITNESS

– Sales	£139m	+34%
– Like-for-like sales		+9%
– EBITDA	£46m	+26%
– Operating profit	£28m	+24%
– Capital expenditure	£33m	

David Lloyd Leisure's trading highlight was a 23% increase in club members to 230,000. This was despite opening only one new club during the period and a slow start to membership sales in the first half of the year.

Memberships are the key to success in this business. In mature clubs (over three years old) increasing memberships improves sales, margins and the return on capital employed while in new and developing clubs they shorten the build to maturity.

Membership retention rates at 79% were well ahead of the industry norm.

Initiatives to improve early returns in new clubs have benefited the two most recent openings. Edinburgh exceeded its first year membership target by 50% leading to a 6% point improvement in year one return on capital. The new Southampton club is showing similar promise and this new approach will be applied to the five new clubs opening in the current financial year.

David Lloyd Leisure is the largest business of its kind in the UK having grown from 14 clubs at the time of its acquisition to a total of 44 at the end of the year. It is also the best recognised brand name with public awareness three times the rating of the nearest competitors according to an NOP survey.

PUBS & BARS

	Managed		Leased	
– Sales	£531m	+2%	£147m	0%
– Like-for-like sales		0%		+2%
– EBITDA	£133m	–2%	£75m	+10%
– Operating profit	£105m	–3%	£72m	+11%
– Capital expenditure	£72m		£13m	

Managed pubs total sales grew 2% although like-for-like sales were flat and operating profit declined. This disguised a particularly strong performance by the High Street bars business where total sales were 17% ahead and like-for-like sales were up 1%.

Leased pubs total sales were steady although like-for-like sales were up 2% and operating profit was up 11%. Profit per pub grew 13%. 133 major developments were completed during the year and 120 leases were assigned at an average premium of £65,000 for the outgoing lessee.

BEER AND OTHER DRINKS
For Beer, sales were £324 million and operating profit was £13 million. The Whitbread Beer Company was sold to Interbrew on 25 May 2000 for £394 million (see note 30 to the accounts). Other drinks comprise Whitbread's former 50% interest in the First Quench off-licence business and a 25% share of Britannia Soft Drinks. Sales for other drinks for the period were £360 million and operating profit was £13 million. The sale of First Quench to Nomura, for a total consideration of £226 million of which 50% was payable to Whitbread, was completed on 16 October 2000.

Return of value of £2.30 per share.

FINANCE REVIEW

Establishment of new holding company and demerger of Pubs & Bars
The proposal to introduce a new holding company, by means of a scheme of arrangement, was approved at the extraordinary general meeting held on 30 January 2001. Consequently, Whitbread Holdings PLC became the holding company for Whitbread PLC and the companies within its group with effect from 26 February 2001. On that date Whitbread shares were delisted and dealings in Whitbread Holdings shares commenced on the London Stock Exchange. As explained in note 1 to the accounts, the group accounts are presented as if Whitbread Holdings had been the holding company for the entire financial years of 1999/00 and 2000/1.

The proposal to demerge the Pubs & Bars division to Fairbar by means of a capital reduction, and the share capital consolidation were approved at the extraordinary general meeting held on 20 April 2001. Subject to Court approval of the reduction of capital and the demerger and to the conditions to those and the offer being satisfied:

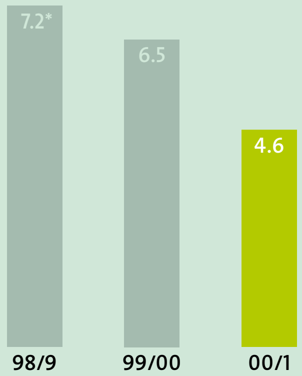
- the Pubs & Bars division will be transferred to Fairbar;
- shareholders in Whitbread Holdings as at 9 May (indicative date) will receive one Fairbar share for each of their Whitbread Holdings shares and shareholders in Fairbar will receive an offer from a company specially formed by MGPE of £2.30 for each Fairbar share held (approximately £1,130 million in aggregate);
- the share capital consolidation will reduce the existing number of issued Whitbread Holdings shares by 40% to reflect the value returned to shareholders;
- approximately £495 million of the value realised will be retained by the Whitbread Holdings Group.

Proforma net assets of the ongoing group*

	Group as at 3 March 2001 £m	Adjustments Pubs & Bars division demerger £m	Cash retained and transaction costs £m	Proforma ongoing Group 3 March 2001 £m
Fixed assets				
Intangible assets	152	–	–	152
Tangible fixed assets	4,138	(1,194)	–	2,944
Investments	96	–	–	96
	4,386	(1,194)	–	3,192
Current assets and liabilities				
Stocks	36	(8)	–	28
Debtors	166	(32)	–	134
Cash at bank and in hand	67	–	–	67
Creditors – amounts falling due within one year	(689)	67	(25)	(647)
Net current liabilities	(420)	27	(25)	(418)
Loan capital	(1,273)	–	495	(778)
Provisions for liabilities and charges	(42)	6	–	(36)
Net assets	2,651	(1,161)	470	1,960

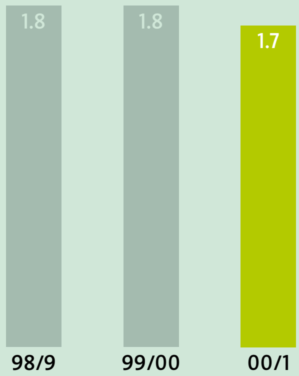
*This statement is prepared for illustrative purposes only, to indicate the effect of the demerger on the group as at 3 March 2001, and does not reflect any trading results of the group since that date.

Interest cover
(Times covered)



*On a comparable post FRS 15 basis

Dividend cover
(Times covered)



Interest
Net interest increased by £30.6 million to £93.7 million. The increase reflects the higher net debt carried in the year. The higher level of debt results from the acquisition of the Swallow Group in January 2000 and the capital expenditure programme, partially offset by the proceeds from the disposals of the Whitbread Beer Company and First Quench. Net interest was covered 4.6 times by operating profit before exceptional items.

Exceptional items
Exceptional costs of £3.1 million were charged against operating profit. There were also exceptional non-operating items that totalled a net amount of £39.1 million. These exceptional items are analysed in note 5 to the accounts. As explained in that note, there will be further transaction and reorganisation costs in 2001/2. These are estimated at around £25 million.

Taxation
The tax charge for the year was £94.6 million, of which £16.5 million has been accounted for as exceptional. The effective rate of tax on profit before exceptional items was 23.3%. The effective rate is lower than the standard UK corporate tax rate of 30%, principally because of the recent levels of capital expenditure. The resulting tax relief has exceeded the charge for depreciation. A further influence on this year's effective rate was a tax credit in respect of earlier years of £11.0 million.

The net tax charge on the exceptional losses included a charge of £20.9 million relating to the sale of the Whitbread Beer Company. Although this disposal resulted in a book loss of £17.9 million (after goodwill written back of £71.5 million), it resulted in a taxable profit. This apparent anomaly arises because the rate of tax relief on fixed assets has been faster than the rate of depreciation used for accounting purposes. Consequently the tax net book value of the Beer Company, against which the sales proceeds were measured, was lower than the accounting net book value.

Second half year as a discrete trading period
The strategic initiatives referred to earlier, and their timing, affected the comparability of sales and profits between the first and second half year periods. Year over year trends in the second half of 2000/1 were also adversely affected by comparison with a 27 week second half of 1999/00.

Shareholder return
Earnings per share was up by 10% while adjusted earnings per share (adjusted for exceptional items and goodwill amortisation) was down by 1%. The proposed final dividend is 23.10 pence per share. (This is equivalent to 38.50 pence per share after taking account of the proposed share capital consolidation.) The total dividend for the year, interim plus final of 31.15 pence per share, results in growth of 5.6%. The total dividend is covered 1.7 times by adjusted earnings per share.

Eight million Whitbread shares were purchased on the market in November and December 2000 at a cost of £43 million. The cost of the buyback has been charged to the profit and loss reserve (see note 26).

The company's share price closed the year at 628 pence, compared with an opening price of 513.5 pence.

Net asset value per share at the balance sheet date was 539 pence compared with 512 pence at the previous year end.

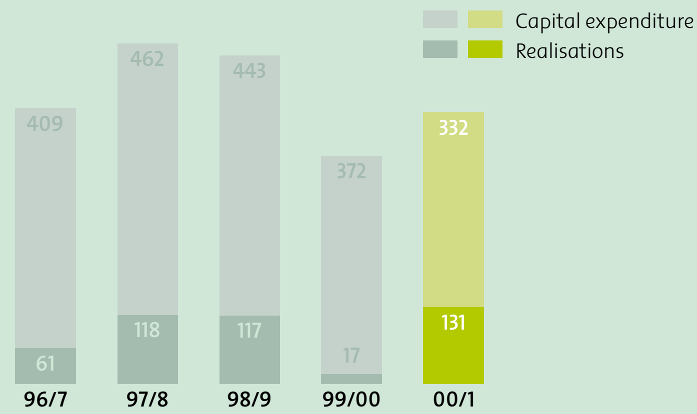
The Board expects, upon the transactions described under 'Demerger' on the previous page being implemented, to adopt a dividend policy which will be based initially on an overall dividend cover of approximately 2.5 times. This is explained in more detail in the Chairman's Statement on page 3.

Cash flow
Cash inflow from operating activities was £67 million lower for the year at £492 million. This reduction results primarily from the sale of the Whitbread Beer Company for which the levels of stock, debtors and creditors were higher at the date of sale than at the start of the year. A secondary factor is expenditure relating to the integration costs of the Swallow Group and the divisional restructuring and rationalisation in 2000, both of which were provided for in 1999/00.

Net cash outflow from 'capital expenditure and financial investment', at £186 million, was £159 million below last year as a result of lower capital expenditure and the proceeds from the sale of most of the ex-Swallow pubs.

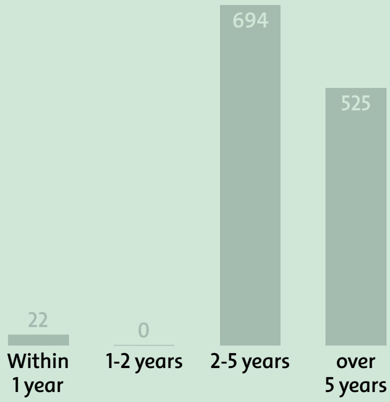
The increase in tax paid is accounted for by the abolition of ACT (Advanced Corporation Tax) and the introduction of Corporation Tax payments on account. These measures are being phased in over a number of years. As a consequence, our tax payments were unusually low in 1999/00.

Capital expenditure and realisations*
(£m)



*Excluding acquisitions and disposals of businesses

Debt profile
(£m)



The cash inflow before financing was £461 million. In order to assess the underlying cash flow performance, it is necessary to eliminate the cash flows relating to the acquisition and disposal of businesses (net inflow of £489 million) and the investment in new retail outlets (outflow of £120 million included within 'property and plant purchased'). The underlying cash inflow, after making these adjustments, was £92 million. The equivalent figure for 1999/00 was £136 million.

Accounting policies
UITF 24 (Accounting for start up costs) has been adopted in these accounts. Its impact is described in note 2 to the accounts.

Work is in progress to prepare for the implementation of the additional disclosure requirements of FRS 17 (Retirement Benefits) in 2001/2, followed by full implementation in 2003/4. Preparation is also ongoing for the implementation of FRS 19 (Deferred Tax) in 2001/2. FRS 19 will increase our tax charge to close to 30% of profit before tax. Neither of these standards will have an impact on cash flows.

Financial risks and treasury policies
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 Risk Committee, which is chaired by the group 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.

Financial position
Net debt at the year end amounted to £1,291 million, resulting in a balance sheet gearing ratio of 49%. Net interest was covered 4.6 times by operating profit before exceptional items.

A new £1,250 million bank facility was arranged in April 2000. This replaced a revolving credit facility of £530 million, which was due to expire in January 2001, and a £750 million bank facility, arranged to finance the Swallow Group acquisition. £625 million of the new facility has a three year term, while the remaining £625 million has a five year term. The new facility will be reduced by £200 million subsequent to the demerger of the Pubs & Bars division. At the year end, of the £1,250 million committed credit facility, £600 million was unused.

Interest rate risk management
At the year end £449 million (36%) of group net sterling debt was fixed for a weighted average of 10 years, using fixed rate borrowings and interest rate swaps. The average rate of interest of this fixed rate sterling debt was 7.1%.

Based on the group's net debt position at the year end, a 1% change in interest rates would affect costs by approximately £8 million, or around 2% of the 2000/1 operating profit before exceptional items.

Foreign currency risk management
At the year end foreign currency borrowings amounted to £48 million. Any foreign currency borrowings, other than those made to hedge overseas investments, have been swapped into sterling.

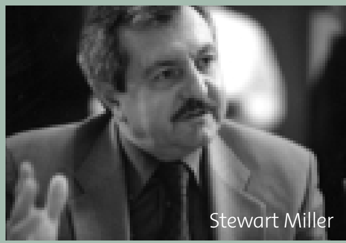
Transaction exposures resulting from purchases in foreign currencies may be hedged by forward foreign currency transactions and currency options.


Sir John Banh


David Richardson


Bill Shannon


David Thomas


Stewart Miller


Alan Parker

Sir John Banham*
Chairman
Appointed a director in November 1999, Sir John succeeded Sir Michael Angus as chairman after the annual general meeting on 20 June 2000. He is a member of the Remuneration Committee and chairman of the Nomination Committee. Currently chairman of Kingfisher and ECI Group and a non-executive director of Amvescap, Sir John was a director of McKinsey and Co before becoming the first Controller of the Audit Commission in 1983 and a director-general of the CBI in 1987. He was also the first chairman of the Local Government Commission for England from 1992-95, and the founding chairman of Westcountry Television. Aged 60.

David Thomas
Chief Executive
Appointed chief executive in 1997, he has been at Whitbread since 1984 and a director since 1991. His roles have included managing director of Whitbread Inns and Whitbread Restaurants and Leisure. Previously, he was with Finefare, Linfood and Grand Metropolitan. He is a trustee of In Kind Direct, a member of the London Tourist Board and a council member of the Brewers and Licensed Retailers Association. Aged 57.

David Richardson
In addition to his role as strategic planning director, David became finance director on 1 March 2001. He has been with Whitbread since 1983 and was appointed to the Board in 1996. He was previously at ICL, having qualified as an accountant with Touche Ross. Aged 49.

Bill Shannon
Managing director of Whitbread Restaurants division and a director of Whitbread since 1994, he joined the company in 1974 as a finance manager and has since been managing director of Beefeater Restaurant and Pub, Thresher, Whitbread Pub Partnerships and Whitbread Inns. He is a non-executive director of Aegon UK PLC. Aged 51.

Stewart Miller
Managing director of David Lloyd Leisure since May 2001, Stewart Miller was appointed to the Board on 5 May 2000. He has been with Whitbread since 1981, in roles including operations director and chief executive of Pizza Hut UK, operations director of Beefeater, sales and marketing director of Whitbread Inns and managing director of Whitbread Pub Partnerships and Whitbread Pubs & Bars. Aged 48.

Alan Parker
Alan Parker joined Whitbread as Managing Director of Whitbread Hotel Company in 1992. He was appointed to the Board on 5 May 2000. He was previously Senior Vice-President of Holiday Inn Europe, Middle East and Africa, and before that Managing Director of Crest Hotels. He is Visiting Professor at the University of Surrey, Trustee of Hospitality Action, and Ex-Chairman of the British Hospitality Association. Aged 54.


Charles Gurassa


Prue Leith


David Turner


John Padovan


Sam Whitbread


Lord Williamson

Charles Gurassa*
Appointed a director on 26 July 2000, he is chairman of the Remuneration Committee and a member of the Nomination Committee. He is currently Group Chief Executive of Thomson Travel Group plc and an Executive Director of Preussag AG, having formerly been with British Airways as Head of Leisure, World Sales, and Director of Passenger and Cargo Business. Aged 45.

Prue Leith*
Appointed a director in 1995, Prue is a member of the Remuneration, Audit and Nomination Committees, a former non-executive director of Safeway PLC and Halifax PLC and is a non-executive director of Triven VCT PLC. Aged 61.

John Padovan*
A director since 1992, he is a member of the Remuneration and Nomination Committees, chairman of the Audit Committee and chairman of Whitbread Pension Trustees. He is chairman of Williams Lea Group and Schroder Split Fund and chairman or non-executive director of several other listed and unlisted companies. Aged 62.

David Turner*
Appointed a director on 1 January 2001, he is a member of the Audit, Remuneration and Nomination Committees. He is finance director of GKN plc. Aged 56.

Sam Whitbread*
A director since 1972 and chairman from 1984 to 1992, he is a member of the Remuneration, Nomination and Audit Committees. Aged 64.

Lord Williamson*
Appointed a director in 1998. Before this, he was secretary-general of the European Commission from 1987 to 1997, having been head of the European secretariat, UK Cabinet Office from 1983 to 1987 and Deputy Director General for Agriculture at the Commission between 1977 and 1983. He is a member of the Audit, Remuneration and Nomination Committees. Aged 66.

*Non-executive director

The directors present their report and accounts for the year ended 3 March 2001. The parent company which is required to produce group accounts changed during the year by means of a scheme of arrangement under section 425 of the Companies Act 1985. When the scheme took effect on 26 February 2001 Whitbread Holdings PLC (to be renamed Whitbread PLC) became the parent company of the group. Before this the parent company was Whitbread PLC (to be renamed Whitbread Group PLC).

YEAR UNDER REVIEW

Results and dividends
The group profit before tax for the year amounted to £292.3 million. The directors have recommended a final dividend for the year of 23.10 pence per ordinary share currently in issue. This amount will represent 38.50 pence per share assuming the consolidation of capital becomes effective. The dividend will be payable on 13 July 2001 to shareholders on the register at close of business on 18 May 2001. The total dividend for the year, including the interim dividend of 8.05 pence per share paid on 9 January 2001, amounts to 31.15 pence per share, which represents an increase of 5.7% on the total dividend for the previous year. Shareholders may participate in a dividend reinvestment plan, under which their cash dividend is used to purchase additional shares in the company. Information on the plan is given on page 54.

Principal activities and review of the business
A detailed review of the company's activities and the development of its business, and an indication of likely future developments, are given on pages 2 to 9.

Board of directors
The directors are listed on pages 10 and 11. All of them served throughout the financial year, except Stewart Miller and Alan Parker who were appointed on 5 May 2000, Charles Gurassa, who was appointed on 26 July 2000 and David Turner who was appointed on 1 January 2001.

Sir Michael Angus retired as chairman and a director at the conclusion of the Annual General Meeting on 20 June 2000. Martin Broughton also stepped down as a director on the same day and Miles Templeman and Karel Vuursteen resigned as directors on 19 September 2000 and 18 December 2000 respectively. Alan Perelman and Lord MacLaurin resigned on 20 March 2001.

All the Directors will stand for re-election at the forthcoming Annual General Meeting as they were appointed at a Board meeting during the year. The executive directors have service contracts with a notice period of two years (further details on directors' service contracts are given on page 17). None of the non-executive directors has a service contract other than as described in the Remuneration Report (page 19) in relation to Sir John Banham.

SOCIAL RESPONSIBILITY

Employees and employment policies
In order to attract and retain the best people, Whitbread continually looks for effective ways to reward its employees. It offers a wide range of benefits, including pension and share schemes, healthcare, and employee counselling.

The company is committed to increasing employee involvement and believes that effective two-way communication between the company and its employees brings real business benefits. Employees have opportunities to express their views and receive information about the company at meetings with management, via elected representatives at 'Business Improvement Groups', and through regular employee opinion surveys.

Employee share schemes
Whitbread seeks to give its employees a direct stake in the business and to align their interests with those of other shareholders through share schemes. In June 2000, 729,326 ordinary shares were issued to the trustees of the Share Ownership Scheme on behalf of about 14,000 employees.

In December 2000, 5,415 employees were granted options over 3.6 million shares at 413 pence under the terms of the Sharesave Scheme. Presently, some 6,700 employees hold options over some 6 million shares under that Scheme.

During the year 85 senior executives were granted options over a total of 1,682,600 shares under the executive share option schemes. These options may only be exercised if the performance criteria described on page 17 are met.

Potential awards over 240,849 shares were made to senior executives under the Long Term Incentive Plan, which is described on page 17.

Employee safety
The company makes every effort, in conjunction with employees, suppliers, the police, environmental health officers and the Home Office, to provide a safe working environment for all of its employees. Each Whitbread business focuses on this in its operations, in the belief that a safe environment improves morale and motivation and enhances customer relations.

Diversity
Whitbread strives for excellence in the treatment of its people and to provide a working environment in which all its colleagues, customers and business partners are treated with dignity and respect. 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.

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.

As part of the company's ongoing diversity programme, training packs on 'Welcoming disabled customers', based on input from the Employers' Forum on Disability, have been provided to each outlet manager. This is intended to equip all outlet staff to respond to all customers' needs and is in line with the Disability Discrimination Act.

Environment
Whitbread recognises its responsibility to achieve good environmental practice and to continue to strive for improvement in its environmental impact. Every Whitbread business is required to develop its own environmental policy and objectives taking account of the risks and opportunities which its business activity presents.

Throughout the company there is particular emphasis on improving the efficiency of its energy usage. Within the last year targets have also been put in place to reduce mileage per case delivered within our food logistics operation, and mileage travelled within the company car fleet.

Further examples of how the company implements its environmental policy can be found on pages 22 and 23 of the Stakeholder Review.

Dialogue with shareholders
The company maintains a dialogue with its shareholders by means of regular meetings and presentations throughout the year. The Annual General Meeting allows shareholders to raise questions with the Board, although enquiries from shareholders are dealt with throughout the year.

It is intended that all major announcements will be available to shareholders by way of webcasts on the Whitbread website (www.whitbread.co.uk). This site is a source of corporate information for investors and key stakeholders, as well as a means of two-way communication between Whitbread and its shareholders.

The Stakeholder Review and telephone helplines are also used to give shareholders a better understanding of the company and access to information.

Charitable donations and investment in the community
During the year the group contributed £0.7 million for charitable purposes (1999/00 – £0.7 million) and the Whitbread Charitable Trust donated a further £0.3 million. The total amount invested directly by the company in support of its Community Investment Programme initiatives was £2.1 million (1999/00 – £2.3 million). Recognising that this does not represent the full value of its community contribution the company has, as last year, applied the London Benchmarking Group's principles to recording and valuing all of its community activity, which has increased the contribution to £5.8 million (1999/00 – £4.3 million).

Code of Business Ethics
The company takes the view that corporate governance is not a matter for the Board or its committees alone and has developed a Code of Business Ethics. This covers dealings with customers, suppliers and government officials; safeguarding the company's assets; keeping accurate and reliable records; and avoiding conflicts of interest. Its principal message is that all employees must observe a code of conduct based on honesty, integrity and fair dealing. The Code has recently been updated and distributed throughout the Whitbread group.

Supplier payment policy
The group keeps to the 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 upon 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.

RESEARCH AND DEVELOPMENT

E-business
The Whitbread website has been visited by 35,000 people a month who, on average, browse 21 pages per visit. Some 60% of visitors are interested in press and shareholder information, with most of the others looking at each of our businesses, specific details of local hotels or restaurants or viewing employment opportunities.

On-line booking for the Marriott and Travel Inn brands is growing fast as is the use of web technology in procurement. On-line 'auctions' are cost-effective both for Whitbread and its suppliers.

Internally, the intranet has revolutionised the way the company communicates with its people. Important messages, like results announcements, can be displayed on internal screens seconds after formal obligations to the Stock Exchange have been met.

Nothing will ever replace the personal service that is the hallmark of everything done for our customers but e-business is helping the company do it more efficiently and effectively through taking processes on-line, such as payroll, goods ordering and employee scheduling.

Innovation
At any one time, the restaurants division will be trying out dozens of new menu ideas, and better ways of serving its customers. New restaurant formats will also be tested. Making a constant effort to listen to customers and to act on what they say is the basis of success in competitive markets.

The Travel Inn team listened to their customers – many of them travelling on business – and has introduced Touchbase – an 'office away from home' to meet their needs.

GENERAL

Political donations
No political donations were made during the year.

Share capital
On incorporation the authorised share capital of Whitbread Holdings was £50,002 divided into 50,000 ordinary shares of £1 each and 2 subscriber ordinary shares of £1 each.

On 15 December 2000, the authorised share capital became £50,000 by (a) creation of 49,998 non-voting redeemable preference shares of £1 each, and (b) the cancellation of the 50,000 unissued ordinary shares of £1 each.

On 20 February 2001, the authorised share capital became £4,725,000,002 by (a) the creation of 1,050,000,000 ordinary shares of 450 pence each and (b) the cancellation of the 49,998 unissued non-voting redeemable preference shares of £1 each.

The reduction of capital and share capital consolidation approved by shareholders at the extraordinary general meeting held on 20 April 2001 should become effective on 10 May 2001.

Major interests
As at 30 April 2001, the company had been notified by Prudential plc of an interest in 18,874,341 shares representing 3.84% of the issued capital of the company, by AXA S.A. of an interest in 15,435,409 shares representing 3.15% of the issued share capital of the company and by Legal & General Investment Management Limited of an interest in 15,021,985 shares representing 3.05% of the issued capital of the company.

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

Auditors
Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

Annual General Meeting
The AGM will be held at 11.30am on 19 June 2001 at The Brewery, Chiswell Street, London EC1Y 4SD. The notice of meeting is enclosed with this report and is accompanied by a letter from the Chairman. In addition to the ordinary business of the meeting, shareholder consent will be sought to renew authority for the purchase by the company of its own ordinary shares, to make amendments to the company's Articles of Association, to approve new employee share schemes and approve a minor change to the capital structure.

CORPORATE GOVERNANCE

The company is committed to high standards of corporate governance and has complied with the provisions set out in Section 1 of the Combined Code[1] throughout the year, with the exception of certain provisions relating to the appointment of a senior independent director, to internal control and to directors' service contracts. These are dealt with below and on pages 15 and 17 respectively.

The Board of directors
The company believes that leadership by a strong and effective Board is the best way for the company to achieve sustained business success and increase shareholder value.

The Whitbread Board is made up of the chairman, six non-executive directors and five executive directors. This provides a proper balance of executive and non-executive directors for the good governance of the company.

The members of the Board are described on pages 10 and 11. The Board meets at least eleven times each year, and has a formal schedule of matters reserved to it for decision, which include the group business plan, treasury policy and major acquisitions and disposals. Directors are given appropriate and timely information for each Board meeting, including monthly reports on the current financial and trading position of each of the businesses. All directors have access to the advice and services of the company secretary, and independent professional advice, if required, at the company's expense.

There is a clearly defined division of the two key functions at the top of the company. The role of the chairman is to be leader of the Board, and that of the chief executive is to run the business.

All of the non-executive directors bring to the Board considerable knowledge and experience from other areas of business and public life. The Board believes that all of the non-executives are independent.

The Board has considered the position of Sam Whitbread, who is a past chairman of the company. For part of his chairmanship he had some executive responsibilities, but he transferred these to the chief executive more than ten years ago. In the light of this, and of the independent judgement which he brings to the Board's deliberations, the Board is entirely satisfied that Sam Whitbread is wholly independent.

During the year under review Lord MacLaurin, who retired on 20 March, was deputy chairman. The Board will consider in due course whether to appoint either a deputy chairman or a senior independent non-executive director.

[1] The principles of good governance and code of best practice prepared by the Committee on Corporate Governance and appended to the Listing Rules of the UK Listing Authority.

Board committees
The Board has delegated authority to the following committees on specific matters, which are set out in a written constitution and terms of reference for each committee.

The Audit Committee reviews the company's internal controls and ensures that the financial information supplied to shareholders is complete and accurate and presents a balanced assessment of the company's position. It is also responsible for reviewing the internal audit programme, and major findings of internal audit reviews, the appointment of external auditors, advising the Board on the auditors' fees and reviewing the scope of the annual audit.

The committee reviews the half-year financial statements, annual accounts and accompanying reports to shareholders before their submission to the Board. The committee members are all non-executive directors: John Padovan (chairman), Prue Leith, David Turner, Sam Whitbread and Lord Williamson. The committee meets three times a year, with the finance director and other officers also attending. It also meets at least annually with the auditors, without an executive director present.

The Remuneration Committee is responsible for determining the broad policy for the remuneration of the Executive Directors and members of the Group Executive and for determining their entire individual remuneration packages. The committee takes external advice from a leading firm of remuneration consultants.

The report on directors' remuneration on pages 16 to 22 gives full details of the company's policy on executive remuneration and of individual directors' remuneration packages. Throughout the financial year ended 3 March 2001 the company complied with the provisions concerning remuneration committees in the Combined Code's Section B and Schedule A and its report has been drawn up in accordance with Schedule B of the Code.

The committee meets at least twice a year. Its members are Charles Gurassa (chairman), Sir John Banham, Prue Leith, John Padovan, David Turner, Sam Whitbread and Lord Williamson, all of whom are independent non-executive directors. The chief executive also attends meetings, by invitation of the chairman of the committee. No director is present during any meeting at which his or her own remuneration is discussed. The fees of the non-executive directors are a matter for the Board, excluding the non-executive directors.

The Nomination Committee makes recommendations to the Board for appointment and re-election of directors, both executive and non-executive. The committee uses external recruitment consultants where appropriate. No director is present at any discussion of his or her own re-appointment.

The committee members are Sir John Banham (chairman), Charles Gurasso, Prue Leith, John Padovan, Sam Whitbread, Lord Williamson and David Thomas.

Every director is required to retire by rotation, and may stand for re-election if nominated by the committee, at least every third year. All new appointments of non-executive directors are for an initial fixed term of three years. An induction to the company's business and training is available for all directors on appointment.

The Board has delegated authority to the General Purposes Committee to deal with business of a routine nature and with other specific matters delegated to it by the Board. The committee is made up of at least two directors designated by the Board and meets as required.

In addition to the above, the Group Executive meets monthly and deals with the day-to-day management of the company. It comprises the chief executive, the executive directors and Chris Bulmer, the human resources director.

Internal control
The Board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the group's significant risks. This process was in place by the end of the company's 2000/1 financial year and will therefore be fully operational for the 2001/2 financial year. This process is regularly reviewed by the Board and accords with the internal control guidance for directors on the Combined Code.

Key elements of the group's risk management and internal control system include:

– the production by each business of an annual risks and controls matrix, covering major risks and plans to mitigate against potential risks. These matrices are considered by the Audit Committee and the Board;

– a quarterly review by the Group Executive and the Board of changes in the major risks facing the group, and development of the appropriate action plans;

– the formulation, evaluation and annual approval by the Board of business plans and budgets. Actual results are reported monthly against budget and the previous year's figures. Key risks are identified and action plans prepared accordingly;

– the Risk Committee, which reviews treasury activities monthly. The committee is chaired by the group finance director. Treasury activities are conducted in accordance with detailed procedures and mandates;

– the consideration of risks and the appropriate action plans when appraising and approving all major capital and revenue projects and change programmes. A post completion review of all major projects is undertaken;

– financial policies, controls and procedures manuals, which are regularly reviewed and updated;

– the limits of authority which are prescribed for employees. The company's organisational structure allows the appropriate segregation of tasks;

– the group's Code of Business Ethics, which is briefed annually to all employees;

– the internal audit function, which reports on the effectiveness of operational and financial controls across the group. The Audit Committee regularly reviews the major findings from both internal and external audit.

The Board has carried out a specific assessment of the group's system of internal control for the purpose of this annual report. The Group Executive and Audit Committees have assisted the Board in discharging these review responsibilities.

Auditors
After proper consideration, the Audit Committee is satisfied that the company's auditors, Ernst & Young, continue to be objective and independent of the company.

Although the auditors also perform non-audit services for Whitbread, the committee is satisfied that such work, primarily corporate finance related, is best handled by Ernst & Young because of their knowledge of Whitbread. Again, the committee believes their objectivity is not impaired by reason of this further work. Note 4 to the accounts on page 33 discloses the fees paid to Ernst & Young during the year.

REMUNERATION REPORT

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2000/1, the interests of directors in the company's shares, and fees for non-executive directors. This report has been drawn up in accordance with Schedule B of the Combined Code.

Remuneration policy
The company has to be able to attract, retain and motivate high calibre executives. The Remuneration Committee therefore takes advice from independent pay consultants, Towers Perrin, on the level and structure of executive packages offered generally in the UK market but with particular emphasis on 24 companies that are felt to be the most relevant comparators for Whitbread. It is an important principle of the company's pay policy that rewards should generally be in line with but not exceed what is offered by the comparator group, unless Whitbread's performance is clearly superior. It also has regard to the wider scene including the approach to pay taken elsewhere in the company.

To ensure that individual rewards and incentives are aligned with the interests of shareholders a significant part of executive rewards is directly linked to the performance of the company over the short, medium and long term.

The components of the packages offered to directors are salary, taxable benefits, annual performance related payments, pensions and share schemes and awards under a long term incentive plan. When appropriate, managers of businesses that are to be sold are paid retention payments to encourage them to stay with the business and maintain its momentum until the transaction is completed on satisfactory terms.

Salary
The committee reviews executive directors' salaries each year. In doing so it takes into account market movement in the salaries for equivalent positions in the comparator group, the level of salary awards to the company's UK employees as a whole and the performance of individual executives.

Taxable benefits
The main taxable benefits provided to executive directors are health care and a company car.

Annual performance-related payments
The executive directors were eligible to receive an annual bonus of 14% of salary for the achievement of agreed profit targets, with another 20% available for personal objectives achieved. Up to 80% of base salary can be paid for exceptional profit performance. Achievement of the bonus depended on the extent to which company, individual and, in some cases, divisional performance measures were met. Actual awards are shown in the table on page 18. The targets were based on stretching financial and non-financial measures. The Remuneration Committee approved the targets that were set at the beginning of the financial year and have approved the actual bonuses paid.

Stewart Miller's bonus was based on special targets for this year reflecting the critical role he played in Whitbread's exit from Pubs & Bars.

Share schemes
As part of the corporate restructuring, it is necessary for the company to introduce a new Savings Related Share Option Scheme and a new approved Executive Share Option Scheme, and shareholder approval for these will be sought at the Annual General Meeting on 19 June 2001.

Executive directors and senior managers are granted options over shares in the company under two executive share option schemes, one of which is the approved scheme referred to above. The share option schemes are designed to incentivise the achievement of genuine stretch performance targets. Under the schemes a fixed number of options are granted to directors and senior managers on an annual basis.

Any grants which result in outstanding options having a value in excess of four-times salary are met with shares purchased in the market and therefore will not be dilutive to shareholders. The annual grant levels are in line with market practice and are of the order of one times salary per annum for executive directors. Executive options are granted at the average market price on the five dealing days preceding the date of grant.

Executives may not normally exercise options earlier than three years nor more than ten years after the grant. Options granted since 1995 are performance-related. The committee has specified that they may only be exercised if the growth in the company's adjusted earnings per share has exceeded the Retail Prices Index by more than 4% a year measured over any three consecutive years out of the ten year performance period.

Executive directors may also participate in the company's sharesave scheme and share ownership scheme on the same basis as all other employees.

Long Term Incentive Plan
The Plan is available to executive directors and other nominated senior executives. It is designed to motivate them to deliver superior performance and increase shareholder value, so aligning their own long-term interests with those of the company and its shareholders.

The Plan rewards executives with shares rather than cash benefits. Awards are based on three-year performance periods and are calculated by taking half of the executive's salary at the start of the period and dividing it by the Whitbread share price averaged over the five business days preceding the start of the performance period.

The comparator group used to measure the company's relative Total Shareholder Return performance under the Plan is a group of 24 peer companies in related industries. These companies are the same as those used as a peer group comparison for pay benchmarking purposes. The performance threshold at which payments are made is the 50th percentile, i.e. 12th out of 24, measured against the comparator group.

Shareholding guidelines
The company believes that executive shareholding is an important tool in aligning the interests of executives and shareholders. Formal shareholding guidelines have therefore been introduced for main Board directors and members of the Group Executive, who have five years to build up the specified holding of shares.

Fees from external directorships
Subject to the Board's approval, executive directors may accept non-executive directorships and other relevant appointments outside the company, provided this would not harm their ability to perform their Whitbread duties. Executive directors may retain up to half the fees received from external appointments. The balance is donated to charity.

Directors' service contracts
The Remuneration Committee has continued to review the company's position with regard to directors' service contracts. These currently have two years' notice, the period having been successively reduced, from five to three years in 1993/4 and to two years in 1994/5. Directors were required to mitigate their loss. The committee has taken external advice from independent consultants and considers that at the present time it is in the company's best interests and in line with market practice to keep the two-year notice period in order to be able to retain and recruit directors of an appropriate calibre. The committee recognises that this does not follow the recommendations of the Combined Code and in light of this has made a further change to more closely align company practice. In February and March 2001, changes were made to the directors' contracts so that in the event that their employment with the company is terminated without notice, they are entitled to a specific sum for the breach of contract. This sum is one and a half times of each annual salary, estimated bonus, car benefit and the cost of private medical insurance, together with the cost of 18 months' life assurance. In addition, their pension entitlement will be enhanced by crediting them with 18 months' additional service. This in fact means that a director would be receiving less than the full two-year payment which might otherwise be claimed.

Directors' pay and pensions for 2000/1

Directors' pay
The table below shows a breakdown of the value of the various elements of pay received by the directors for the period from 5 March 2000 to 3 March 2001, except as otherwise indicated.

	Basic salary £	Taxable benefits £	Performance related payments £	Total excluding pensions 2000/1 £	Total excluding pensions 1999/00 £
Chairman					
Sir Michael Angus (to June 2000)	63,868	7,452	–	**71,320**	214,737
Sir John Banham[1]	135,600	10,587	–	**146,187**	7,788
Executive directors					
S Miller[1]	208,313	11,485	170,000	**389,798**	–
A C Parker[1]	210,654	12,502	89,500	**312,656**	–
A S Perelman	318,793	17,741	91,646	**428,180**	417,711
D H Richardson	222,495	15,276	67,500	**305,271**	280,038
W M F C Shannon	306,260	15,637	72,880	**394,777**	396,068
M H Templeman[1]	72,712	3,560	–	**76,272**	393,998
D M Thomas	499,996	15,387	145,004	**660,387**	642,423
Non-executive directors					
M F Broughton[1,2]	8,250	–	–	**8,250**	27,000
C M Gurassa[1]	16,165	–	–	**16,165**	–
P M Leith	27,000	–	–	**27,000**	27,000
Lord MacLaurin	27,000	–	–	**27,000**	27,000
J M F Padovan[3]	27,000	–	–	**27,000**	27,000
D J Turner[1]	4,500	–	–	**4,500**	–
K Vuursteen[1,2]	14,849	–	–	**14,849**	27,000
S C Whitbread	27,000	–	–	**27,000**	27,000
Lord Williamson	27,000	–	–	**27,000**	27,000

Total emoluments for the period were £2,963,612 excluding other bonuses as set out below. The total for 1999/00 was £2,541,763.

(1) Fees for part-year. For details of appointment and resignation dates see page 12. Mr Templeman was a non-executive from June to September 2000. Sir John Banham became Chairman in June 2000.

(2) The fees in respect of Mr Broughton and Mr Vuursteen were paid to British American Tobacco and Heineken respectively.

(3) In addition to these fees, Mr Padovan receives £8,000 per annum as chairman of Whitbread Pension Trustees Limited.

Other bonuses
Miles Templeman left the company in December 2000. He also received a special bonus of £300,000 in recognition of his contribution to the company over the previous twelve months and recognising the value he added to the Beer Company.
In addition, as managing director of the Beer Company, he received a bonus of £150,000 in respect of the continued momentum of the business and the completion of the disposal of the Beer Company on satisfactory terms.

Stewart Miller, as managing director of the Pubs & Bars division, also received a bonus of £125,000 in respect of the continued momentum of the division and the completion of the demerger of the Pubs & Bars division on satisfactory terms.

Non-executive directors
With the exception of the chairman, whose details are given on page 19, non-executive directors currently each receive fees of £27,000 per annum. John Padovan receives an additional £8,000 per annum as chairman of Whitbread Pension Trustees Limited. Charles Gurassa and David Turner were appointed as non-executive directors for fixed terms of three years. The chairman and the non-executive directors are not eligible to take part in any of the cash or share-based performance-related schemes, which are used to incentivise executives, nor can they have a company pension by reason of being a non-executive director. All directors are required to retire by rotation every three years.

None of the non-executive directors has a service contract, with the exception of Sir John Banham, who has entered into a letter of agreement with the company setting out the terms of his appointment as chairman of Whitbread. The appointment is for an initial period of two years which commenced on 21 June 2000 and thereafter is terminable on one year's notice by either Whitbread or Sir John Banham at any time after 21 June 2001. In addition to his salary of £180,000 per annum, Sir John Banham is entitled to the use of a driver and car in connection with his duties as chairman and also to certain minor ancillary benefits.

Directors' pensions
The five executive directors are entitled to a pension under the Whitbread Group Pension Fund defined benefit pension arrangements. On retirement at the normal pension age of 60 with 20 years' service this would pay out a pension equal to two-thirds of the director's last 12 months' basic salary, subject to Inland Revenue limits. The Revenue has approved the pension arrangements, apart from part of those provided for Alan Parker who was restricted by the Revenue's earnings cap. He will receive his benefits under an unfunded, unapproved pension arrangement in respect of his earnings above the Inland Revenue's 'earnings cap'.

These arrangements, which are non-contributory, also provide a pension if the executive director retires through ill-health. In the event of death in service before normal pension age a lump sum benefit equal to four times basic salary is paid to the nominated beneficiaries at the discretion of the Trustees, together with a spouse's and children's pension.

If death occurs within five years following retirement, a lump sum equal to the unpaid balance of five years' pension will be payable. In addition, the director's spouse will receive a pension equal to 60% of the full entitlement. Any eligible children (up to a maximum of four) will receive an allowance equal to 12.5% of the full entitlement.

A director retiring early between the ages of 50 and 60 may draw his accrued pension without any actuarial reduction. All pensioners, including former executives, are guaranteed an annual increase in line with the Retail Prices Index up to a maximum of 5%. Transfer values paid from the Fund make no allowance for any additional discretionary pension increases.

None of the executive directors is accruing benefits under the money purchase scheme. No elements of executive directors' pay packages are pensionable other than basic salary.

Retirement of Alan Perelman
As already announced on 21 December 2000, Alan Perelman retired on 30 April 2001 and received approximately £370,500 after tax as compensation for the premature termination of his employment. His pension entitlement includes an unfunded, unapproved pension arrangement. His total pension entitlement will be equivalent to £155,875 per annum, of which £49,500 per annum will be provided through the Whitbread Group Pension Fund. The balance will be provided to Mr Perelman in the form of a lump sum of approximately £1,786,400 after tax calculated in accordance with the terms of the service agreement entered into when he joined the group in 1989.

Pension entitlements
The pension entitlements of the executive directors at 3 March 2001 were:

	Age	Years of service	**Increase in accrued entitlement 2000/1 £pa**	**Accrued entitlement at 3/3/01 £pa**
S Miller	48	20	**31,222**	**101,327**
A C Parker	54	8	**17,252**	**68,582**
A S Perelman	52	11	**14,666**	**138,430**
D H Richardson	49	18	**12,074**	**94,909**
W M F C Shannon	51	26	**16,583**	**154,133**
D M Thomas	57	16	**26,810**	**271,820**

A pension of £10,340 (1999/00 – £10,209) was paid to a past director in excess of his accrued pension entitlement.

Directors' interests in shares

Shares

The following table shows the directors' interests in ordinary shares of the company. All holdings were beneficial, except as shown, and include those held under the Whitbread Share Ownership Scheme:

	3/3/01	4/3/00
Sir John Banham	**47,500**	1,500
C M Gurassa	**4,664**	– [1]
P M Leith	**6,178**	6,178
J M F Padovan	**5,000**	5,000
S Miller	**20,856**	20,758[1]
A C Parker	**14,009**	494[1]
A S Perelman	**55,203**	55,114
D H Richardson	**20,837**	20,312
W M F C Shannon	**39,376**	37,094
D M Thomas	**92,292**	61,195
D J Turner	**–**	–
S C Whitbread	**3,134,057**	3,249,557[2]
Lord Williamson	**1,500**	1,500

[1] On appointment.

[2] Includes non-beneficial holdings of 1,267,344 ordinary shares (1,382,844 at 4/3/00).

Share Options

The directors held the following share options under the Executive Share Option Schemes and the Sharesave Scheme. The earliest date on which any of the Executive options could have been exercised was December 1993, with the latest date being June 2009. Sharesave options have a six month exercise period. No options lapsed during the year.

	Number	Date of grant	Exercise prices	Exercise periods
David Thomas				
Executive Share Option Schemes	**28,800**	20 December 1991	416.2p	December 1994 – December 2001
	21,800	18 December 1992	456.8p	December 1995 – December 2002
	37,500	29 June 1993	498.8p	June 1996 – June 2003
	13,800	20 June 1994	537.6p	June 1997 – June 2004
	13,400	7 June 1995	594.2p	June 1998 – June 2005
	15,000	8 July 1996	727.8p	July 1999 – July 2006
	64,200	6 June 1997	778.5p	June 2000 – June 2007
	49,000	5 June 1998	1027.0p	June 2001 – June 2008
	5,000	16 June 1999	1101.0p	June 2002 – June 2009
	80,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**2,345**	4 December 2000	413.0p	February 2004 – July 2004
Total number of options held	**330,845**			
David Richardson				
Executive Share Option Schemes	**2,900**	18 December 1992	456.8p	December 1995 – December 2002
	19,900	29 June 1993	498.8p	June 1996 – June 2003
	40,300	20 June 1994	537.6p	June 1997 – June 2004
	8,400	7 June 1995	594.2p	June 1998 – June 2005
	21,300	8 July 1996	727.8p	July 1999 – July 2006
	19,700	6 June 1997	778.5p	June 2000 – June 2007
	10,900	5 June 1998	1027.0p	June 2001 – June 2008
	2,200	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**1,181**	9 December 1996	584.2p	February 2002 – July 2002
	2,451	4 December 2000	413.0p	February 2006 – July 2006
Total number of options held	**179,232**			

	Number	Date of grant	Exercise prices	Exercise periods
Stewart Miller				
Executive Share Option Schemes	**6,800**	20 June 1994	537.6p	June 1997 – June 2004
	1,700	7 June 1995	594.2p	June 1998 – June 2005
	51,900	8 July 1996	727.8p	July 1999 – July 2006
	16,300	6 June 1997	778.5p	June 2000 – June 2007
	5,400	5 June 1998	1027.0p	June 2001 – June 2008
	1,600	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**472**	9 December 1996	584.2p	February 2002 – July 2002
	1,080	8 December 1997	638.6p	February 2003 – July 2003
	1,350	29 November 1999	549.7p	February 2005 – July 2005
Total number of options held	**136,602**			
Alan Parker				
Executive Share Option Schemes	**61,300**	19 June 1996	739.2p	June 1999 – June 2006
	5,000	6 June 1997	778.5p	June 2000 – June 2007
	25,300	5 June 1998	1027.0p	June 2001 – June 2008
	4,600	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Total number of options held	**146,200**			
Alan Perelman*				
Executive Share Option Schemes	**9,600**	20 June 1994	537.6p	June 1997 – June 2004
	67,400	7 June 1995	594.2p	June 1998 – June 2005
	75,200	8 July 1996	727.8p	July 1999 – July 2006
	10,300	6 June 1997	778.5p	June 2000 – June 2007
	9,700	5 June 1998	1027.0p	June 2001 – June 2008
	3,200	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**2,701**	8 December 1997	638.6p	February 2003 – July 2003
Total number of options held	**228,101**			
Bill Shannon				
Executive Share Option Schemes	**30,200**	7 June 1995	594.2p	June 1998 – June 2005
	27,200	8 July 1996	727.8p	July 1999 – July 2006
	40,800	6 June 1997	778.5p	June 2000 – June 2007
	33,500	5 June 1998	1027.0p	June 2001 – June 2008
	8,500	16 June 1999	1101.0p	June 2002 – June 2009
	50,000	8 June 2000	542.4p	June 2003 – June 2010
Savings Related Share Option Scheme	**1,296**	8 December 1997	638.6p	February 2003 – July 2003
	352	29 November 1999	549.7p	February 2005 – July 2005
	408	4 December 2000	413.0p	February 2006 – July 2006
Total number of options held	**192,256**			

Alan Parker, David Richardson and Bill Shannon exercised options under the Savings Related Share Option Scheme on 1 February 2001 at 498 pence per share. The mid-market price on that day was 588 pence. The options were granted on 4 December 1995. Notional gains made were: A Parker £3,116, D Richardson £374, W Shannon £310.

The following options under the same scheme lapsed during the year:

D H Richardson	1,080 shares at 638.6p granted on 8 December 1997
	211 shares at 638.3p granted on 30 November 1998
D M Thomas	2,160 shares at 638.6p granted on 8 December 1997
	352 shares at 549.7p granted on 29 November 1999

There were no exercises by directors under the Executive Share Option Schemes

*Mr Perelman's exercise periods were amended under the terms of the Schemes following his retirement from the company on 30 April 2001.

Long Term Incentive Plan
Potential share awards held by the executive directors under the Plan at the beginning and end of the year, details of the actual awards during the year and their value, and awards lapsed are as follows:

	Potential awards held at 4/3/00	Potential awards for the three year performance period ending on 28/2/03[2]	Actual awards for the performance period ended on 28/2/00		Awards lapsed during the year	**Potential awards held at 3/3/01**
			Shares	Value		
S Miller	15,608[1]	19,654	–	–	7,146	**28,116**
A Parker	28,709[1]	19,738	–	–	9,063	**39,384**
A S Perelman	30,427	29,860	–	–	13,982	**46,305**
D H Richardson	20,056	20,245	–	–	8,907	**31,394**
W M F C Shannon	26,845	29,481	–	–	12,351	**43,975**
D M Thomas	45,341	47,067	–	–	19,419	**72,989**

[1] On appointment.

[2] The share price used to calculate the potential awards for the three year performance period ending on 28 February 2003 was 508.8 pence.

Notes
The company funds an employee share ownership plan trust ('ESOP') to enable it to acquire and hold the necessary shares. The ESOP currently holds 686,679 shares; the executive directors each have a technical interest in all these shares. All dividends on shares in the ESOP are waived by the Trustee.

During the period from 3 March 2001 to 1 May 2001 no director has exercised his option to call for the transfer of his shares out of the Plan.

The mid-market price of Whitbread ordinary shares on the last business day before 3 March 2001 was 628 pence (4 March 2000 – 513.5 pence). The highest and lowest prices between those dates were 654 pence and 412 pence respectively.

Changes since 3 March 2001
As a result of the reinvestment of income arising from Personal Equity Plans, Stewart Miller, David Richardson and David Thomas acquired fewer than 30 ordinary shares each.

There have been no other changes in directors' interests in ordinary shares since 3 March 2001.

No director had an interest at any time during the year in the secured or unsecured loan stock or the loan notes of the company, or in the shares or loan stock of any subsidiary company.

By order of the Board
S C Barratt, Company Secretary

1 May 2001

Registered office
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