

Annual Report and
Accounts 2009/10

EAT SLEEP & DRINK
WHITBREAD

The Whitbread Way Forward

Our aim is to build the best large-scale hospitality brands in the world by becoming the most customer focused organisation there is. Anywhere.

We'll do this by providing outstanding value and making everyday experiences feel special – so that our customers come back time and time again.

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Board of directors

01

Anthony Habgood

Position:

Chairman (since August 2005)

Date of appointment to the Board:

May 2005

Age: 63

Committee membership:

Nomination Committee (Chairman),
Remuneration Committee

External appointments:

Reed Elsevier PLC and NV (Chairman)

Previous experience:

Director of The Boston Consulting Group Inc from 1977 to 1986. Director, and then Chief Executive of Tootal Group PLC until 1991. Chief Executive and then Chairman of Bunzl PLC until 2009. Having been Chairman of Mölnlycke Healthcare (UK) Limited he has also held non-executive directorships at Geest PLC, Marks and Spencer Group plc, National Westminster Bank Plc, Powergen plc and SVG Capital PLC.

02

Alan Parker, CBE

Position:

Chief Executive (since June 2004)

Date of appointment to the Board:

May 2000 – retiring in November 2010

Age: 63

Committee membership:

Nomination Committee

External appointments:

Jumeirah Group LLC (Non-executive director), British Hospitality Association (Director), University of Surrey (Visiting Professor), World Travel & Tourism Council (Director), West Buckland School Foundation (Trustee & Director)

Previous experience:

Managing Director of Crest Hotels Europe, based in Frankfurt. Senior Vice-President of Holiday Inn Europe, Middle East and Africa, based in Brussels. Joined Whitbread in 1992 as Managing Director of Whitbread Hotel Company.

03

Patrick Dempsey

Position:

Executive Director

Date of appointment to the Board:

January 2009

Age: 51

External appointments:

Hospitality Action (Trustee), Business in the Community – talent and skills leadership team, DCMS – Tourism Advisory Council

Previous experience:

Patrick joined Whitbread in 2004 and has been in the hotel and restaurant business for the past thirty years. Patrick was with Forte Hotels for twenty years, then went on to join Compass Group as CEO of Restaurant Associates. In 2005, Patrick became Managing Director of Premier Inn.

04

Christopher Rogers

Position:

Finance Director

Date of appointment to the Board:

May 2005

Age: 50

External appointments:

HMV Group plc (Non-executive director)

Previous experience:

Qualified as an accountant with Price Waterhouse before joining Kingfisher plc in 1988. Subsequent roles included Group Financial Controller at Kingfisher plc, Finance Director, and then Commercial Director, at Comet Group plc before becoming Finance Director at Woolworths Group plc and Chairman of Woolworths Group Entertainment business.

- 01 Anthony Habgood
- 02 Alan Parker, CBE
- 03 Patrick Dempsey
- 04 Christopher Rogers
- 05 Stephen Williams
- 06 Simon Melliss
- 07 Philip Clarke
- 08 Wendy Becker
- 09 Richard Baker



01



02



03



04

- 05
Stephen Williams
Position:
 Senior Independent Director
Date of appointment to the Board:
 April 2008
Age: 62
Committee membership:
 Remuneration Committee,
 Nomination Committee
External appointments:
 Unilever PLC and NV (General Counsel
 and Chief Legal Officer), Arriva PLC
 (Senior Independent Director),
 Arts and Business (Chairman),
 De la Warr Pavilion Trust (Chairman)
Previous experience:
 After spending three years in the tax
 planning and commercial departments
 at Slaughter and May, Stephen joined the
 legal department of Imperial Chemical
 Industries PLC, before joining Unilever PLC
 in 1986. He became General Counsel at
 Unilever in 1993.
- 06
Simon Melliss
Position:
 Independent non-executive director
Date of appointment to the Board:
 April 2007
Age: 57
Committee membership:
 Audit Committee (Chairman),
 Nomination Committee
External appointments:
 Hammerson PLC (Group Financial
 Director), Member of the Committee of
 Management of Hermes Property Unit Trust
Previous experience:
 Having trained as an accountant
 he held a number of financial
 roles at Reed International PLC
 and Sketchley PLC, before joining
 Hammerson in 1991 where he became
 Group Finance Director in 1995. Simon
 has also previously held a non-executive
 directorship at Associated British Ports
 Holdings PLC.
- 07
Philip Clarke
Position:
 Independent non-executive director
Date of appointment to the Board:
 January 2006
Age: 50
Committee membership:
 Remuneration Committee (Chairman)
External appointments:
 Tesco PLC (Director)
Previous experience:
 Has eleven years' board experience gained
 at Tesco where he has responsibility for
 operations in eleven countries across Asia
 and Europe together with the IT function.
- 08
Wendy Becker
Position:
 Independent non-executive director
Date of appointment to the Board:
 January 2008
Age: 44
Committee membership:
 Audit Committee,
 Remuneration Committee
External appointments:
 Vodafone (Group Chief Marketing Officer)
 Working Families (Trustee)
 Vodafone Foundation (Trustee)
Previous experience:
 Previously Managing Director of Talk Talk.
 Partner of McKinsey & Company for 14 years.
 Brand Manager of Procter & Gamble and
 Boston Consulting Group.
- 09
Richard Baker
Position:
 Independent non-executive director
Date of appointment to the Board:
 September 2009
Age: 47
Committee membership:
 Audit Committee
External appointments:
 Virgin Active Group (Non-executive
 Chairman), Group Aeroplan Inc (Chairman,
 European Advisory Board), Member of
 Heidrick & Struggles Advisory Board, Advent
 International PLC (Operating Partner)
Previous experience:
 Chief Executive of Alliance Boots
 Group plc and Chief Operating Officer
 at Asda Group plc.



05



06



07



08



09

Senior management

This table shows the membership of the Executive Committee, the Whitbread Hotels and Restaurants (WHR) Management Board and the Costa Management Board. The biographical details of Alan Parker, Christopher Rogers and Patrick Dempsey are shown on the previous page. The biographical details of the other members of the Executive Committee, John Derkach, Louise Smalley and Simon Barratt are shown to the right of the table.

	Board and committee members
Executive Committee	Alan Parker Simon Barratt Patrick Dempsey John Derkach Christopher Rogers Louise Smalley
WHR Management Board*	Mark Anderson Paul Flaum Maria Horn Andrew Pellington Gerard Tempest Ben Wishart
Costa Management Board*	Clive Bentley Russell Fairhurst Helen Hardy Adrian Johnson Andrew Marshall Matthew Price Jim Slater

*The members of the Executive Committee are also members of both Management Boards, although John Derkach is not a member of the WHR Management Board and Patrick Dempsey is not a member of the Costa Management Board.

01
John Derkach
Position:
 Managing Director, Costa
Age: 53
At Whitbread:
 John joined Whitbread in 1995 as Marketing Director of Whitbread Beer Company, before becoming Managing Director of Beefeater in 1999. Appointed CEO of Pizza Hut (UK) in 2002 and Managing Director of Costa in 2006.

Previous Experience:
 Spent three years at Procter & Gamble and ten years with Pepsi Cola International in the roles of UK Marketing Manager, UK Operations Director, Northern Europe Marketing Director and Area Vice President for Spain and Portugal.

02
Louise Smalley
Position:
 Group Human Resources Director
Age: 42
At Whitbread:
 Joined Whitbread in 1995 as HR Projects Manager of Pizza Hut (UK). Served as HR Director of David Lloyd Leisure and then Whitbread Restaurants before becoming Group Human Resources Director in 2007.

External appointments:
 People 1st (Trustee).
Previous Experience:
 Spent five years working as a human resources professional in the oil industry with BP and Esso Petroleum.

03
Simon Barratt
Position:
 General Counsel
Age: 50
At Whitbread:
 Joined the Group in 1991 as Group Legal Adviser, before becoming Company Secretary and Group Legal Affairs Director in 1997. Has had accountability for group development and was a director of Whitbread Pension Trustees Limited between 1997 and 2009.
Previous experience:
 Trained as a solicitor at Slaughter and May and then held positions in the legal teams at Rio Tinto and Heron prior to joining Whitbread.



01



02



03

- 01 John Derkach
- 02 Louise Smalley
- 03 Simon Barratt

Directors' report

The directors present their report and accounts for the year ended 4 March 2010

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Financial Statements. These include the Business Review, the Corporate Governance and Remuneration Reports and the Group Financial Statements and accordingly these are incorporated into the report by reference.

Principal activities and review of business

The principal activity of the Group is the operation of hotels, restaurants and coffee shops. These operations are largely carried out in the UK, although Premier Inn operates one hotel in Ireland, one hotel in India and three hotels in Dubai via a joint venture. Costa operates coffee shops in 24 international markets through joint ventures or on a franchise basis, and, following the acquisition of Coffeeheaven International plc, wholly owned coffee shops in five Central European countries. Details of the Group's activities, developments and performance for the year, the main trends and factors likely to affect its future development and performance and information required by the Companies Act 2006 relating to the business review are set out on pages 4 to 35. Details of the Company's WINcard, containing the key performance indicators, can be found on pages 32 and 33.

Results and dividends	
Group profit before tax and exceptional items	£223.6m
Group profit before tax and after exceptional items	£208.0m
Interim dividend paid on 5 January 2010	9.65p per share
Recommended final dividend	28.35p per share
Total dividend for the year	38.0p per share

Subject to approval at the Annual General Meeting, the final dividend will be payable on 14 July 2010 to shareholders on the register at the close of business on 14 May 2010.

Board of directors

The directors at the date of this report are listed on pages 36 and 37. Richard Baker joined the Board on 7 September 2009, Charles Gurassa stepped down from the Board on 7 September 2009 and all others served throughout the year.

Richard Baker will stand for election and Anthony Habgood, Simon Melliss and Christopher Rogers will stand for re-election at the forthcoming AGM in accordance with the Company's Articles of Association.

Details of the directors' service contracts are given in the remuneration report on page 47. None of the non-executive directors has a service contract.

Details of continuing professional development for all directors are given in the corporate governance report on page 44.

Share capital

Throughout the year, the authorised share capital has been £319,889,877 divided into 410,170,050 ordinary shares of 76¹²²/₁₅₃ p each (representing 98.47% of the total share capital), 265 million B non-cumulative preference shares of 1 penny each (representing 0.83% of the total share capital) and 224 million C non-cumulative preference shares of 1 penny each (representing 0.70% of the total

share capital). However, subject to approval of the new Articles of Association at the Annual General Meeting, the Company will cease to have an authorised share capital in accordance with the Companies Act 2006.

Details of the issued share capital can be found in note 28 to the accounts.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives to attend general meetings and to exercise voting rights. Holders of ordinary shares may receive a dividend and on a liquidation may share in the assets of the Company. Holders of ordinary shares are entitled to receive the Company's annual report and accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at annual general meetings.

Voting rights

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than (i) 48 hours before a meeting or adjourned meeting, or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote shares at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he has not paid all amounts relating to those shares which are due at the time of the meeting.

Restrictions on transfer of shares

There are the following restrictions on the transfer of shares in the Company:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);
- pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares;
- where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;
- the subscriber ordinary shares may not be transferred without the prior written consent of the directors;
- the directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid; and
- transfers cannot be in favour of more than four joint holders.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

B shares and C shares

Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of 6 month LIBOR on a value of 155 pence per B share and 159 pence per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to the payment of 155 pence per B share and 159 pence per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

Employee share schemes

Whitbread does not have any employee share scheme with shares which have rights with regard to the control of the Company that

are not exercisable directly by the employees.

Appointment and replacement of directors

Directors shall be no less than two and no more than twenty in number. Directors may be appointed by the Company by ordinary resolution or by the Board of directors. A director appointed by the Board holds office until the next Annual General Meeting and is then eligible for election by the members.

At every Annual General Meeting the following directors shall retire from office:

- Any director who has been appointed by the directors since the last Annual General Meeting;
- Any director who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them; and
- Any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting.

Any director who retires at an annual general meeting may offer himself for reappointment by the shareholders.

The Company may by special resolution remove any director before the expiration of his term of office.

Any director automatically stops being a director if (i) he gives the Company a written notice of resignation, (ii) he gives the Company a written notice in which he offers to resign and the directors decide to accept this offer, (iii) all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign, (iv) he is or has been suffering from mental ill health and the directors pass a resolution removing the director from office, (v) he has missed directors' meetings (whether or not an alternate director appointed by him attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office, (vi) a bankruptcy order is made against him or he makes

any arrangement or composition with his creditors generally, (vii) he is prohibited from being a director under any applicable legislation, or (viii) he ceases to be a director under any applicable legislation or he is removed from office under the Company's Articles of Association.

Amendment of the Company's Articles of Association

Any amendments to the Articles of Association of the Company may be made in accordance with the provisions of the Companies Act by way of special resolution.

Powers of the directors

The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's Memorandum and Articles of Association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Significant agreements

The Company's facility agreements, details of which can be found in note 22 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Contractual arrangements

The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

Financial Instruments

Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in note 26 of the consolidated financial statements.

Compensation for loss of office

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Supplier payment policy

The Company has no trade creditors (26 February 2009: nil). 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 48 days' purchases outstanding at 4 March 2010 (26 February 2009: 46 days), based on the trade creditors at that date and purchases made during the year.

Major interests

As at 28 April 2010, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares:

	No. of shares	% of issued share capital
BlackRock	17,667,678	10.03%
Schroders Plc	10,531,421	5.35%
Legal & General	6,978,034	3.97%

Directors' share interests

The interests of directors and their connected persons at the end of the year in the ordinary shares of 76¹²²/₁₅₃p each in the Company are shown below:

	Held at 28/04/2010	Held at 04/03/2010	Held at 26/02/2009
Anthony Habgood	50,797	50,797	50,797
Alan Parker	45,263	45,263	65,263
Patrick Dempsey	27,086	15,938	1,984
Christopher Rogers	47,976	34,821	14,319
Richard Baker	1,450	1,450	-(²)
Wendy Becker	6,000	6,000	2,500
Philip Clarke	3,939	3,939	3,797
Charles Gurassa	n/a	1,821(¹)	1,821
Simon Melliss	1,500	1,500	1,500
Stephen Williams	4,000	4,000	4,000

The share interests shown above include the non-beneficial interests of Anthony Habgood in 522 ordinary shares of 76¹²²/₁₅₃p each.

⁽¹⁾ at date stepped down from the Board

⁽²⁾ at date of appointment

Further details regarding the interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report.

Charitable and political donations

No direct charitable donations have been made by the Company. The Whitbread Charitable Trust made donations totaling £41,872 during the year. Costa Limited, a subsidiary of the Company, made a direct donation of £176,307 to the Costa Foundation. Further details about the Costa Foundation can be found on page 31. In addition, the Company organised and supported a number of charitable events and a number of its employees carried out charitable activities during working hours. The value of these activities has not been quantified.

The Company has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee well-being and equal opportunities.

The Company takes its responsibilities to the disabled seriously and seeks not to discriminate against current or

prospective employees because of any disability. Employees who become disabled during their career at Whitbread will be retained in employment wherever possible and given help with rehabilitation and training.

Employee involvement

The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate to its own particular needs. Regular internal communications are made to all employees to ensure that they are kept well informed of the performance of the Group. Further information can be found on pages 12 and 13.

Directors' indemnity

A qualifying third party indemnity provision (as defined in Section 236 (1) of the Companies Act 2006) is in force for the benefit of the directors.

Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority for a further year will be sought from shareholders at the 2010 AGM.

The Company did not purchase any of its own shares during the year. 14.7 million shares (representing 7.8% of the total called up share capital at the beginning of the year) are held as treasury shares. This number has not changed throughout the year.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the Company and a resolution proposing their reappointment will be put to shareholders at the 2010 AGM. After proper consideration, the Audit Committee is satisfied that the Company's auditor, Ernst & Young LLP, continues to be objective and independent of the Company. In coming to this conclusion, the Audit Committee gave full consideration to the non-audit work carried out by Ernst & Young LLP.

The Audit Committee has considered what work should not be carried out by the external auditor and have concluded that certain services, including internal audit, acquisition due diligence and IT consulting services, will not be carried out by Ernst & Young LLP.

Disclosure of information to auditor

The directors have taken all reasonable steps to make themselves aware of relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

Going concern

The Group's business activities, together with the factors likely to effect its future development, performance and position are set out in the Business Review on pages 6 to 35. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Finance Director's report on pages 28 and 29. In addition there are further details in the financial statements on the Group's financial risk management, objectives and policies (note 25) and details of the financial instruments (note 26 and 27).

The Group has considerable financial resources and, as a consequence, the directors believe that the Group is well placed to manage its business risks.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Annual General Meeting

The AGM will be held at 2.00pm on 22 June 2010 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The notice of meeting is enclosed with this report for those shareholders receiving hard copy documents, and available at www.whitbread.co.uk for those who elected to receive documents electronically. At the 2010 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting.

By order of the Board.

Simon Barratt

General Counsel and Company Secretary

28 April 2010

Registered Office:
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

Registered in England: No. 4120344

The directors' report has been drawn up and presented in accordance with and in reliance upon applicable English company law and any liability of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law. The directors' report includes the Chairman's statement on pages 4 and 5, the Business Review on pages 6 to 35 and this report on pages 39 to 42.

The Annual Report and Accounts contain certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Corporate governance report

At Whitbread, we believe that good corporate governance is essential protection for our shareholders. It is about ensuring that we run the Company with integrity and transparency. In this report Simon Barratt, General Counsel, explains how the main and supporting principles of the June 2008 Combined Code on Corporate Governance (which is available at www.frc.org.uk) are being applied.

Did Whitbread comply with the Combined Code?

During the year the Company complied with all provisions set out in Section 1 of the Combined Code with the exception of A.4.1, which deals with the membership of the Nomination Committee. The Board believes that the membership of the Committee was appropriate for the activities it carried out during the year and detailed information on these activities can be found on pages 44 and 45.

How did the Board satisfy itself of the adequacy of its governance procedures?

The General Counsel prepared a full report on the Company's governance arrangements, which was considered at the January Board meeting. In addition, 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 Conduct for employees. 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 was updated during the year.

Details of how Whitbread has applied the main and supporting principles of the Combined Code with regard to remuneration can be found in the Remuneration report on page 45. In addition, details of the membership and activities of the Remuneration Committee can be found on page 45.

The Board

Who is on the Board of directors?

The Board currently comprises the Chairman, three executive directors and five independent non-executive directors, one of whom has been appointed Senior Independent Director. Biographies of each of the Directors are set out on pages 36 and 37 of the Annual Report.

Is there clarity between the roles of the Chairman and Chief Executive?

The roles of Chairman and Chief Executive are separate, with responsibilities clearly divided between them.

The Chairman is responsible for:

- running the Board and setting its agenda;
- ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information and that there is a good flow of information;
- managing the Board to ensure that sufficient time is allowed for the discussion of complex or contentious issues;
- ensuring that the directors continually update their knowledge and capabilities;

- ensuring that the members of the Board develop an understanding of the views of the major investors; and
- the annual evaluation of the performance of the Board and its committees and implementing the action required following such evaluation.

The Chief Executive is responsible for:

- setting the strategic direction for the Company;
- overseeing the day-to-day management of the Company;
- the line management of senior executives;
- the activities of the Whitbread Directors' Forum – a group of the Company's most senior executives; and
- ensuring effective communication with shareholders and employees.

How does the Board demonstrate independence?

The Board is committed to ensuring a majority of directors are independent. The non-executive directors all act in an independent and challenging manner at meetings. Additionally, the Combined Code lists a number of circumstances that might call

	Board	Audit Committee	Nomination Committee ⁶	Remuneration Committee
Number of meetings in the financial year	11	3	5	7
Anthony Habgood	11	-	5	7
Alan Parker	11	-	3	-
Patrick Dempsey	11	-	-	-
Christopher Rogers	11	-	-	-
Richard Baker ¹	6	1	3	-
Wendy Becker ²	11	2	2	7
Philip Clarke ³	8	-	1	6
Charles Gurassa ⁴	5	2	-	-
Simon Melliss	11	3	2	-
Stephen Williams ⁵	10	-	5	7

Anthony Habgood, Alan Parker and Christopher Rogers all attended Audit Committee meetings although they are not members of that committee. Alan Parker attended Remuneration Committee meetings (except when his own remuneration was being discussed), but is not a member of the Remuneration Committee.

⁽¹⁾ Richard Baker was appointed as a director on 7 September 2009. Six Board meetings and one Audit Committee meeting were held after that date.

⁽²⁾ Wendy Becker was absent from one Audit Committee meeting due to work commitments.

⁽³⁾ Philip Clarke was absent from two Board meetings due to illness and one Board meeting due to work commitments abroad.

⁽⁴⁾ Charles Gurassa resigned as a director on 7 September 2009. Five Board meetings and two Audit Committee meetings were held up to that date.

⁽⁵⁾ Stephen Williams was absent from one Board meeting due to work commitments.

⁽⁶⁾ Number of meetings includes three Chief Executive Succession Committee meetings.

the independence of a director into question and the Board is satisfied that no such circumstances exist for any of the Company's non-executive directors.

How does the Board operate and what were its key activities during the year?

The Board holds meetings regularly and, additionally, for specific purposes, as and when required. During the year there were 11 Board meetings. Attendance by directors at Board meetings and Board committees is set out in the table on page 43. Before each Board meeting directors are given timely and appropriate information, including monthly financial and trading reports.

During the year the Board agreed the business plans for the Group, Hotels and Restaurants and Costa, set the budget for the year, reviewed the half year and full year results, monitored the performance of the businesses and approved significant transactions such as the acquisition of Coffeeheaven.

How does the Board review its performance?

During the year the performance of the Board, and individual directors' contributions to the Board, are appraised by the Chairman. This year each director completed a formal questionnaire on the Board's performance and the Chairman met or spoke to each director on a one to one basis. The performance of the Board's committees was also reviewed during the year.

The results of the review were discussed by the Board and appropriate action plans were agreed. There was a consistently positive response from directors on the effectiveness of the Board and its committees. The main themes arising from the review were around target setting and training. Actions to deal with the points raised have been implemented.

The performance of the Chairman is evaluated during the year by the Senior Independent Director who reviews the Chairman's performance with each of the directors and discusses the results with the Chairman.

How are directors kept up to date with new developments?

During the year directors attended training courses and seminars, or received tailored training, on a number of relevant issues including:

- company law;
- pensions; and
- corporate governance.

The Board receives a regular investor relations report, which includes share price performance, movements in institutional holdings and the reaction of investors to the communications programme.

Internal control

Does the Company maintain adequate systems of internal control?

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. These systems are designed to manage rather than eliminate risk of failure to achieve business objectives. They 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 throughout the 2009/10 financial year and up to the date of this report. The process is regularly reviewed by the Board and accords with the internal control guidance for directors in the Combined Code. A report of the key risks can be found on pages 34 and 35.

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

- 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 production by each business of a risks and controls matrix, covering major risks and plans which are considered regularly by the management boards and form the basis of the Group risks matrix considered by the Audit Committee;
- a regular review by the Board of changes in the major risks facing the Group and development of appropriate action plans;
- the consideration of risks and appropriate action plans, when

appraising and approving all major capital and revenue projects and change programmes. A post completion review of each major project is undertaken;

- financial policies, controls and procedures manuals, which are regularly reviewed and updated;
- the limits of authority, which are prescribed for employees. Whitbread's organisational structure allows the appropriate segregation of tasks;
- the Code of Conduct, which is communicated to employees;
- the PwC operational audit team activity, which reports on the effectiveness of operational and financial controls across the Group;
- the Audit Committee regularly reviews the major findings from both operational and external audit. Further details can be found on page 45.

Management and specialists within the finance department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.

The Board, acting through the Audit Committee, has directed the work of PwC's operational audit team towards those areas of the business that are considered to be of the highest risk. The Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed within at least a three year period. The programme and findings of the reviews are continually assessed to ensure they take account of the latest information and, in particular, the results of the annual review of internal controls. The effectiveness of the operational audit team is reviewed annually by the Committee. The Committee considers the principal risks identified by the risk management process which are also considered by the main and management boards throughout the year.

Board committees

What committees does the Board have?

The Company has an Audit Committee, a Nomination Committee and a Remuneration Committee. The committees operate within defined terms of reference, copies of which can be found on the Company's website: www.whitbread.co.uk. The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience but has determined not to identify any individual as having such experience.

Audit Committee

Members of Committee:

Simon Melliss (Chairman)
Richard Baker
Wendy Becker

The Audit Committee comprises three non-executive directors under the chairmanship of Simon Melliss who is Group Financial Director of Hammerson PLC. Richard Baker replaced Charles Gurassa on this committee when he retired from the Board.

The Committee generally holds three meetings in a year. In October and April each year the Committee considers the half and full year financial statements respectively. As part of that process the management team present the statements to the Committee with the external auditors (Ernst & Young) and operational auditors (PwC) present. Ernst & Young present a paper on the audit/review process and the main points of discussion that have arisen. PwC report on the internal audits carried out in the respective periods.

In March each year the Committee considers internal control processes including Treasury, Tax and retail audit reports along with a Group risk analysis.

The terms of reference of the external and operational audits are considered each year along with the effectiveness of the Committee itself. The Committee also meets with both the external and operational auditors without the executive team being present.

Remuneration Committee

Members of Committee:

Philip Clarke (Chairman)
Anthony Habgood
Wendy Becker
Stephen Williams

The Remuneration Committee's role is to assist the Board in determining the remuneration of the executive directors and the Chairman, approving the executive incentive schemes and monitoring the remuneration of other senior executives. Full details of the Committee's work are set out in the remuneration report on pages 47 to 50.

Nomination Committee - Chief Executive succession

Members of Committee:

Anthony Habgood (Chairman)
Richard Baker
Wendy Becker
Philip Clarke
Simon Melliss
Stephen Williams

It was announced in early March that Andy Harrison will succeed Alan Parker as Chief Executive when he retires in November 2010. A Committee of the Chairman and all the non-executive directors was set up to oversee the selection process. The recruitment firm, Spencer Stuart was appointed by the Committee. Following a review of their initial report, a list of candidates was compiled and

a series of interviews with each candidate was held in January and February. Psychometric assessments were carried out and references were taken. At a meeting of the Committee on 24 February 2010, it was unanimously agreed that Andy Harrison be recommended to the Board for the role of Chief Executive. At a Board Meeting on 3 March 2010 the Chairman made a formal proposal (which was seconded by Alan Parker) that Andy Harrison be appointed as Chief Executive Designate, joining the Company on 1 September in that role and then as Chief Executive on 25 November 2010 on Alan Parker's retirement. This proposal was unanimously agreed and Andy's appointment was publicly announced.

Nomination Committee - General

Members of Committee:

Anthony Habgood (Chairman)
Simon Melliss
Alan Parker
Stephen Williams

The Nomination Committee assesses the level of experience and capability of the Board and makes recommendations to the Board on new appointments. During the current year it recommended the appointment of Richard Baker having appointed an external search consultancy. The appointment followed the retirement of Charles Gurassa. Richard Baker was chosen for his wealth of experience in customer-facing industries and his experience at senior Board level.

Shareholder relations

Any shareholder may contact the Chairman or, if appropriate, the Senior Independent Director to raise any issue, including those relating to strategy and governance. Alternatively, shareholders may raise any such issues with one or all of the non-executive directors of the Company. The General Counsel can facilitate any such communication if requested.

Recent topics of interest to investors have been the performance of Premier Inn during the recession and its growth in the UK.

How does the Company interact with institutional investors?

Institutional shareholders, fund managers and analysts are briefed at regular meetings and presentations. Following the full year and interim results in April and October respectively, the Chief Executive and the Finance Director have meetings with institutional investors. An Investor Day was held on 28 January 2010, at which presentations were made by the Chief Executive, Finance Director and the Managing Directors of the businesses. A large number of investors attended. The Chairman and a non-executive director were also present at that meeting. The Chairman also had meetings with a number of the largest shareholders in the Company during the year and spoke to them following the announcement of Andy Harrison's appointment. At the annual Board Strategy meeting on 17 November 2009, reports were presented which described the views of major shareholders of the Company and its current strategy. It is therefore believed that the Board, including the Senior Independent Director, has an adequate understanding of the issues and concerns of major shareholders. No other meetings have been requested by shareholders with the Chairman or Senior Independent Director. Non-executive directors are able to attend these meetings and would do so if requested by major shareholders.

How does the Company interact with private investors?

Annual and interim results presentations are webcast live so that all shareholders can receive the same information at the same time. The Company has taken advantage of the provisions in the Companies Act 2006, which allows communication to be made to shareholders electronically unless they have requested hard copy documentation. The Company's website provides comprehensive information for private shareholders, with the Annual Report and Accounts, trading statements, interim management statements and public announcements all being available at www.whitbread.co.uk.

Private shareholders have the opportunity to put questions to the Board at the Annual General Meeting and at all other times by emailing or writing to the Company. Wherever possible, all directors attend the AGM. At the 2010 AGM, all voting will be by poll. Electronic handsets will be utilised and results will be displayed on the screen at the meeting. In addition, the audited poll results will be disclosed on the Company's website following the meeting, and announced by regulatory news service. The information that is required by DTR 7.2.6, information relating to the share capital of the Company, can be found within the Directors' Report on pages 39 and 40.



www.whitbread.co.uk

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