

# **COUNTRY CLUB HOTELS LIMITED**

## **REPORT & ACCOUNTS**

**27 February 1999**

Registered number 532865



# **COUNTRY CLUB HOTELS LIMITED**

**DIRECTORS:** A C Parker  
G R L Windle  
C J Wilkins

**SECRETARY:** M Buxton - Smith

**AUDITORS:** Ernst & Young  
400 Capability Green  
Luton  
LU1 3LU

**REGISTERED OFFICE:** Chiswell Street  
London  
EC1Y 4SD

**REGISTERED NUMBER:** 532865

# COUNTRY CLUB HOTELS LIMITED

## **DIRECTORS' REPORT**

### **Accounts**

The Directors submit to the shareholders their report and accounts for the year ended 27 February 1999.

### **Principal activity and review of business development**

The principle activity of the company during the year was the operation of six hotels incorporating golf and country clubs. These hotels traded under the Marriott brand as part of a franchise agreement with Marriott International

Year on year growth has been achieved in terms of both sales and profit. Occupancy declined slightly on last year but strong rate growth was achieved through business mix management.

Meon Valley, having undergone a major redevelopment, was rebranded at the start of this year as a Marriott with an additional 30 rooms. Marriott Forest of Arden once again played host to the British Masters golf tournament and the event was a great success.

The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future, and therefore have used the going concern basis in preparing the financial statements.

### **Results and dividends**

The profit for the year after tax amounted to £26,185,111 (1997/8 - £7,538,947). The directors recommend the payment of a final dividend of £1.50 per A and B ordinary share.

### **Supplier payment policy**

Since purchases of goods and services are dealt with through the parent undertaking, Whitbread PLC, the company does not have any trade creditors. It is not, therefore, appropriate to disclose the number of days taken to pay creditors. For invoices paid by Whitbread PLC, the company adheres to the payment terms which have been agreed with a supplier. Where payment terms have not been specifically agreed, it is the company's policy to settle invoices close to the end of the month following the month of invoicing. Adherence to these terms is dependant upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis.

### **Year 2000**

The company is a subsidiary of Whitbread PLC and is included in the Whitbread Group programme addressing the impact of the year 2000. Details of this programme can be found in the report and accounts of Whitbread PLC. Copies can be obtained from Chiswell Street, London EC1Y 4SD.

### **Directors**

The Directors of the company during the year and up to the date of this report are listed on page 1.

# COUNTRY CLUB HOTELS LIMITED

## DIRECTORS' REPORT

### Directors' interests

According to the register maintained as required under the Companies Act 1985, the beneficial interests of the directors in shares and options over the ordinary shares in the holding company, Whitbread PLC including shares under the Whitbread PLC Share Ownership Scheme are as follows:

| Ordinary shares | <u>27 February 1999</u> | <u>28 February 1998</u> |
|-----------------|-------------------------|-------------------------|
| A C Parker      | 465                     | 435                     |
| G R L Windle    | 16,502                  | 15,997                  |
| C J Wilkins     | 6,299                   | 6,160                   |

### Options over ordinary shares

During the year the following movements in options over the ordinary share capital of the holding company, Whitbread PLC, took place:-

|              | Options held      | Options granted |              | Options exercised |              | Options held       |
|--------------|-------------------|-----------------|--------------|-------------------|--------------|--------------------|
|              | <u>at 1.03.98</u> | <u>Number</u>   | <u>Price</u> | <u>Number</u>     | <u>Price</u> | <u>at 27.02.99</u> |
| A C Parker   | a 69,300          | 25,300          | 1,027.0      |                   |              | 94,600             |
|              | b 3,463           |                 |              |                   |              | 3,463              |
|              | c 8,776           | 9,063           |              |                   |              | 17,839             |
| G R L Windle | a 40,100          | 1,300           | 1,027.0      |                   |              | 41,400             |
|              | b 3,033           |                 |              |                   |              | 3,033              |
| C J Wilkins  | a 68,800          | 3,100           | 1,027.0      |                   |              | 71,900             |
|              | b 3,033           |                 |              |                   |              | 3,033              |

(a) the Executive Share Option Scheme

(b) the Savings Related Share Option Scheme

(c) the Long Term Incentive Plan

Details of the performance criteria for the Long Term Incentive Plan are set out in the Whitbread PLC annual report and accounts for 1998/9.

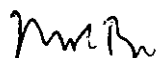
### Donations

During the year the company contributed £412 (1997/8 - £1,255) for charitable purposes.

### Auditors

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

By order of the board



SECRETARY

9 September 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN  
RELATION TO FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 5, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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

The directors consider that in preparing the financial statements on pages 6 to 13 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable Accounting Standards have been followed. The financial statements have been prepared on a going concern basis.

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

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

# COUNTRY CLUB HOTELS LIMITED

## **REPORT OF THE AUDITORS**

### **to the members of Country Club Hotels Limited**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention as modified by the revaluation of properties and on the basis of the accounting policies set out on page 8.

#### **Respective responsibilities of directors and auditors**

As described on page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

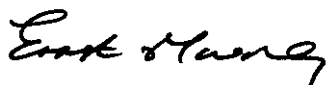
#### **Basis of opinion**

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

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 27 February 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
Luton

9/9 1999

# COUNTRY CLUB HOTELS LIMITED

## PROFIT AND LOSS ACCOUNT

| <u>Year ended 27 February 1999</u>                          | <u>Notes</u> | <u>1998/9</u>              | <u>1997/8</u>           |
|---|--------------|----------------------------|-------------------------|
|   |              | £                          | £                       |
| <b>TURNOVER</b>   |              | <b>45,982,333</b>          | <b>44,564,206</b>       |
| Cost of sales   |              | <u>(32,568,323)</u>        | <u>(31,184,685)</u>     |
| <b>GROSS PROFIT</b>   |              | <b>13,414,010</b>          | <b>13,379,521</b>       |
| Administrative expenses                                     |              | <u>(1,848,269)</u>         | <u>(4,153,349)</u>      |
| Dividends from subsidiaries                                 |              | <u>17,147,216</u>          | <u>-</u>                |
| <b>OPERATING PROFIT</b>                                     | 1            | <b>28,712,957</b>          | <b>9,226,172</b>        |
| Interest payable and similar charges                        | 2            | <u>(282,879)</u>           | <u>(299,022)</u>        |
| <b>PROFIT BEFORE TAXATION</b>                               |              | <b>28,430,078</b>          | <b>8,927,150</b>        |
| Taxation  | 3            | <u>(2,244,967)</u>         | <u>(1,388,203)</u>      |
|   |              | <b>26,185,111</b>          | <b>7,538,947</b>        |
| Proposed final dividend of £1.50 per A and B ordinary share |              | <u>(48,600,000)</u>        | <u>-</u>                |
| <b>RETAINED PROFIT FOR THE YEAR</b>                         | 11           | <u><u>(22,414,889)</u></u> | <u><u>7,538,947</u></u> |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

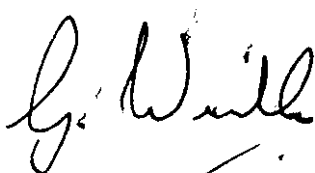
|   |                          |                         |
|---|--------------------------|-------------------------|
| <b>PROFIT EARNED FOR SHAREHOLDERS</b>                   | <b>26,185,111</b>        | <b>7,538,947</b>        |
| Unrealised deficit on revaluation of fixed assets       | <u>(5,254,845)</u>       | <u>(4,253,991)</u>      |
| <b>TOTAL PROFITS RECOGNISED SINCE PREVIOUS YEAR END</b> | <u><u>20,930,266</u></u> | <u><u>3,284,956</u></u> |

# COUNTRY CLUB HOTELS LIMITED

## BALANCE SHEET

27 February 1999

|  | Notes | <u>1999</u>         | <u>1998</u>         |
|--|-------|---------------------|---------------------|
|  |       | £                   | £                   |
| <b>FIXED ASSETS</b>                                    |       |                     |                     |
| Tangible assets  | 4     | 114,904,642         | 116,013,110         |
| Investments  | 5     | 7,866,381           | 11,223,238          |
|  |       | <u>122,771,023</u>  | <u>127,236,348</u>  |
| <b>CURRENT ASSETS</b>                                  |       |                     |                     |
| Stocks   | 6     | 563,411             | 495,754             |
| Debtors  | 7     | 3,278,106           | 2,884,104           |
| Cash at bank and in hand                               |       | <u>25,929</u>       | <u>46,834</u>       |
|  |       | 3,867,446           | 3,426,692           |
| <b>CREDITORS - amounts falling due within one year</b> | 8     | <u>(83,501,724)</u> | <u>(59,856,561)</u> |
| <b>NET CURRENT LIABILITIES</b>                         |       | <u>(79,634,278)</u> | <u>(56,429,869)</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |       | <u>43,136,745</u>   | <u>70,806,479</u>   |
| <b>CAPITAL AND RESERVES</b>                            |       |                     |                     |
| Called up share capital                                | 10    | 32,400,000          | 32,400,000          |
| Revaluation reserve                                    | 11    | 10,508,959          | 15,763,804          |
| Profit and loss account                                | 11    | <u>227,786</u>      | <u>22,642,675</u>   |
| <b>SHAREHOLDERS' FUNDS</b>                             | 12    | <u>43,136,745</u>   | <u>70,806,479</u>   |



G. W. WHITE

Director

9 September 1999



## **ACCOUNTING POLICIES**

### **Accounting convention**

The accounts are prepared under the historical cost convention as modified by the revaluation of property, and in accordance with applicable Accounting Standards

### **Depreciation of fixed assets**

While it is the company's policy to depreciate relevant fixed assets, the nature of the hotel trade requires that, in order to protect that trade, freehold and long leasehold premises are maintained in such a state of repair that the aggregate of their residual value is at least equal to their book amounts. In the opinion of the directors, any depreciation of such property would not be material.

The cost or valuation of other fixed assets is depreciated by equal annual installments over their expected useful lives as follows:

|                         |         |
|-------------------------|---------|
| Computer equipment      | 5 years |
| Furniture and equipment | 6 years |
| Motor vehicles          | 5 years |

### **Stocks**

Stocks are valued at the lower of cost and net realisable value.

### **Turnover**

Turnover is the value of goods and services sold, within the UK, as part of the company's continuing ordinary activities after deducting sales based taxes.

### **Leases**

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

### **Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

### **Cashflow**

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

### **Comparative amounts**

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

# COUNTRY CLUB HOTELS LIMITED

## NOTES TO THE ACCOUNTS

### 1. PROFIT AND LOSS ACCOUNT DETAILS

|   | <u>1998/9</u>  | <u>1997/8</u> |
|---|----------------|---------------|
|   | £              | £             |
| <b>Profit is stated after charging:</b>       |                |               |
| Depreciation (note 4)                         | 2,409,091      | 1,797,101     |
| Hire of plant and machinery                   | 143,887        | 86,598        |
| Operating lease rentals - plant and machinery | <u>134,817</u> | <u>32,601</u> |

### 2. INTEREST PAYABLE AND SIMILAR CHARGES

|   |                |                |
|---|----------------|----------------|
| Interest payable on bank loans and overdrafts | -              | -              |
| Other interest payable                        | 284,260        | 303,678        |
| Interest received                             | <u>(1,381)</u> | <u>(4,656)</u> |
|   | <u>282,879</u> | <u>299,022</u> |

### 3. TAXATION

|   |                  |                  |
|---|------------------|------------------|
| <b>Current taxation on profits for the year</b> |                  |                  |
| U.K. Corporation Tax at 31.17% (1997/8 - 33%)   | 2,219,514        | 1,388,203        |
| <b>Adjustments to earlier periods</b>           |                  |                  |
| Corporation Tax                                 | <u>25,453</u>    | -                |
|   | <u>2,244,967</u> | <u>1,388,203</u> |

The charge for U.K. Corporation Tax has been relieved by £1,582,420 (1997/8 - £1,392,061), plus a prior year adjustment of £483,731, in respect of accelerated capital allowances.

The potential amount of deferred taxation not provided in these accounts is £13,990,567 (1997/8 - £12,891,878) in respect of accelerated capital allowances. No provision has been made for any chargeable gains which might arise in the event of property being sold at its revalued amount, as in the ordinary course of business the property will be retained indefinitely.

# COUNTRY CLUB HOTELS LIMITED

## NOTES TO THE ACCOUNTS

### 4. TANGIBLE FIXED ASSETS

|                                   | <u>Retail<br/>property</u><br>£ | <u>Plant &amp;<br/>machinery</u><br>£ | <u>Total</u><br>£  |
|-----------------------------------|---------------------------------|---------------------------------------|--------------------|
| Gross amounts 28 February 1998    | 105,859,792                     | 15,542,350                            | 121,402,142        |
| Additions                         | 4,271,904                       | 2,292,775                             | 6,564,679          |
| Revaluations                      | (5,254,845)                     | -                                     | (5,254,845)        |
| Disposals                         | -                               | (1,262,448)                           | (1,262,448)        |
| Gross amounts 27 February 1999    | <u>104,876,851</u>              | <u>16,572,677</u>                     | <u>121,449,528</u> |
| Depreciation 28 February 1998     | -                               | (5,389,032)                           | (5,389,032)        |
| Depreciation for the year         | -                               | (2,409,091)                           | (2,409,091)        |
| Disposals                         | -                               | 1,253,237                             | 1,253,237          |
| Depreciation 27 February 1999     | <u>-</u>                        | <u>(6,544,886)</u>                    | <u>(6,544,886)</u> |
| Net book amounts 27 February 1999 | <u>104,876,851</u>              | <u>10,027,791</u>                     | <u>114,904,642</u> |
| Net book amounts 28 February 1998 | <u>105,859,792</u>              | <u>10,153,318</u>                     | <u>116,013,110</u> |

The directors carried out a valuation of the company's properties at 27 February 1993. Some properties have also been revalued in subsequent years, including the current year, as part of a programme to keep values under continuous review. The properties were valued at open market value for the purpose of their existing use by chartered surveyors employed by the parent company. If this and previous revaluations had not taken place, the values of the fixed assets would have been:

|                                   | <u>Retail<br/>property</u><br>£ | <u>Plant &amp;<br/>machinery</u><br>£ | <u>Total</u><br>£  |
|-----------------------------------|---------------------------------|---------------------------------------|--------------------|
| Gross amounts                     | 94,367,892                      | 16,572,677                            | 127,419,424        |
| Depreciation                      | -                               | (6,544,886)                           | (6,544,886)        |
| Net book amounts 27 February 1999 | <u>94,367,892</u>               | <u>10,027,791</u>                     | <u>120,874,538</u> |
| Net book amounts 28 February 1998 | <u>90,095,988</u>               | <u>10,153,318</u>                     | <u>104,788,369</u> |

|   | <u>1999</u><br>£   | <u>1998</u><br>£   |
|---|--------------------|--------------------|
| <b>The net book value of retail property comprises:</b> |                    |                    |
| Freehold  | 47,835,952         | 46,672,908         |
| Long leasehold  | 57,040,899         | 59,186,884         |
|   | <u>104,876,851</u> | <u>105,859,792</u> |

# COUNTRY CLUB HOTELS LIMITED

## NOTES TO THE ACCOUNTS

### TANGIBLE FIXED ASSETS cont.

|  | 1999               | 1998               |
|--|--------------------|--------------------|
|  | £                  | £                  |
| <b>Cost or valuation of properties</b> |                    |                    |
| As valued 1998/9                       | 43,782,765         | -                  |
| As valued 1997/8                       | 13,031,716         | 13,031,720         |
| As valued 1996/7                       | 16,767,590         | 16,857,591         |
| As valued 1995/6                       | 20,758,644         | 20,758,645         |
| As valued 1994/5                       | -                  | -                  |
| As valued 1993/4                       | -                  | 16,157,882         |
| As valued 1992/3                       | -                  | 19,458,061         |
| At cost                                | 10,536,136         | 19,595,893         |
|  | <b>104,876,851</b> | <b>105,859,792</b> |

### 5. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

|   | £                |
|---|------------------|
| <b>Shares at or under cost</b>                                  |                  |
| 28 February 1998  | 11,223,238       |
| Dividends from subsidiaries paid out of pre-acquisition profits | (3,356,857)      |
| 27 February 1999  | <b>7,866,381</b> |

|   | Principal activities | Country of incorporation or registration | Country of principal operations | % equity holding |
|---|----------------------|--|---------------------------------|------------------|
| <b>Principal subsidiary undertaking</b>       |                      |  |                                 |                  |
| Goodwood Park Hotel Limited                   | Hotels               | England                                  | England                         | 70               |
| Forest of Arden Golf and Country Club Limited | Hotels               | England                                  | England                         | 100              |
| Breadsall Priory Limited                      | Hotels               | England                                  | England                         | 100              |
| Broughton Park Hotel Limited                  | Hotels               | England                                  | England                         | 100              |

The above companies have the same year end as Country Club Hotels Limited and are owned directly by that company. These companies principally affect the results and assets of the group.

|                  | 1999           | 1998    |
|------------------|----------------|---------|
|                  | £              | £       |
| <b>6. STOCKS</b> |                |         |
| Finished goods   | <b>563,411</b> | 495,754 |

### 7. DEBTORS

|  |                  |                  |
|--|------------------|------------------|
| Trade debtors                                  | 1,763,151        | 1,233,852        |
| Amounts due from group and parent undertakings | 1,115,396        | 1,351,578        |
| Corporation Tax recoverable                    | 25,403           | -                |
| Other debtors                                  | 49,101           | 32,634           |
| Prepayments and accrued income                 | 325,055          | 266,040          |
|  | <b>3,278,106</b> | <b>2,884,104</b> |

Amounts due from group and parent undertakings have no fixed repayment date.

# COUNTRY CLUB HOTELS LIMITED

## NOTES TO THE ACCOUNTS

|  | 1999<br>£         | 1998<br>£         |
|--|-------------------|-------------------|
| <b>8. CREDITORS- amounts falling due within one year</b> |                   |                   |
| Loan capital (see note 9)                                | 4,637,600         | 4,694,075         |
| Bank overdrafts  | -                 | -                 |
| Amounts due to group and parent undertakings             | 25,141,135        | 50,212,954        |
| Corporation Tax  | 2,244,967         | 1,499,597         |
| Other taxes and social security                          | 1,083,337         | 863,913           |
| Other creditors  | 562,648           | 401,428           |
| Accruals and deferred income                             | 1,232,037         | 2,184,594         |
| Proposed final dividend                                  | 48,600,000        | -                 |
|  | <u>83,501,724</u> | <u>59,856,561</u> |

Amounts due to group and parent undertakings have no fixed repayment date.

### 9. LOAN CAPITAL

|              | Repayment<br>date | Interest<br>rates |                  |                  |
|--------------|-------------------|-------------------|------------------|------------------|
| Loan capital |                   |                   |                  |                  |
| Loan notes   | 1997-2008         | Variable          | <u>4,637,600</u> | <u>4,694,075</u> |

The loan notes are repayable at the lenders discretion on a months notice, are unsecured and are not repayable by instalments.

### 10. SHARE CAPITAL

|                                | Authorised        |                   | Allotted, called up<br>and fully paid |                   |
|--------------------------------|-------------------|-------------------|---------------------------------------|-------------------|
|                                | 1999<br>£         | 1998<br>£         | 1999<br>£                             | 1998<br>£         |
| 'A' Ordinary shares of £1 each | 8,500,000         | 8,500,000         | 8,100,000                             | 8,100,000         |
| 'B' Ordinary shares of £1 each | 25,500,000        | 25,500,000        | 24,300,000                            | 24,300,000        |
|                                | <u>34,000,000</u> | <u>34,000,000</u> | <u>32,400,000</u>                     | <u>32,400,000</u> |

### 11. RESERVES

|  | Revaluation<br>reserve<br>£ | Profit &<br>loss account<br>£ | Total<br>£        |
|--|-----------------------------|-------------------------------|-------------------|
| 28 February 1998   | 15,763,804                  | 22,642,675                    | 38,406,479        |
| Profit retained  | -                           | (22,414,889)                  | (22,414,889)      |
| Revaluation of properties transferred from other group companies | -                           | -                             | -                 |
| Revaluation of tangible fixed assets                             | (5,254,845)                 | -                             | (5,254,845)       |
| 27 February 1999   | <u>10,508,959</u>           | <u>227,786</u>                | <u>10,736,745</u> |

# COUNTRY CLUB HOTELS LIMITED

## NOTES TO THE ACCOUNTS

### 12. MOVEMENT IN SHAREHOLDERS' FUNDS

|   | <u>1999</u>       | <u>1998</u>       |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Shareholders' funds at 28 February 1998                                   | 70,806,479        | 67,521,523        |
| Profit earned for ordinary shareholders                                   | (22,414,889)      | 7,538,947         |
| Revaluation reserves of properties transferred from other group companies | -                 | (3,003,108)       |
| Revaluation of tangible fixed assets                                      | (5,254,845)       | (1,250,883)       |
| Shareholders' funds at 27 February 1999                                   | <u>43,136,745</u> | <u>70,806,479</u> |

### 13. LEASE COMMITMENTS

|  | <u>1999</u>    |                     | <u>1998</u>    |                     |
|--|----------------|---------------------|----------------|---------------------|
|  | Property       | Plant and machinery | Property       | Plant and machinery |
| Annual payments under operating leases which expire: |                |                     |                |                     |
| Under one year                                       | -              | -                   | -              | 2,434               |
| Within two to five years                             | -              | 29,245              | -              | 28,571              |
| Over five years                                      | 190,019        | 105,572             | 187,500        | -                   |
|  | <u>190,019</u> | <u>134,817</u>      | <u>187,500</u> | <u>31,005</u>       |

### 14. RELATED PARTIES

The company is a wholly owned subsidiary of Whitbread PLC and has taken advantage of the exemption given in Financial Reporting Standard No.8 not to disclose transactions with other group companies.

### 15. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Whitbread PLC, registered in England and Wales. Copies of their accounts can be obtained from Chiswell Street, London EC1Y 4SD.