

COUNTRY CLUB HOTELS LIMITED

REPORT & ACCOUNTS

1 March 2003



Registered number 532865

COUNTRY CLUB HOTELS LIMITED

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

SECRETARY: E A Thorpe (appointed 25 September 2002)
M R Buxton-Smith (resigned 25 September 2002)

AUDITORS: Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London
SE1 7EU

REGISTERED OFFICE: Whitbread House
Park Street West
Luton
LU1 3BG

REGISTERED NUMBER: 532865

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the year ended 1 March 2003.

Principal activity and review of business development

On 3 March 2002 the trade and assets of the company were transferred to Swift Hotels Limited (formerly Swallow Hotels Limited), its immediate holding company, at net book value and the company made dormant.

Results and dividends

The profit for the year after tax amounted to £nil (2001/02 - £7,401,614). The directors have declared an interim dividend of £72,028,779, which is 222.311 pence per share (2001/2 - £nil).

Supplier payment policy

Since purchases of goods and services are dealt with through the parent undertaking, Whitbread Group 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 Group 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 dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis.

Employment of disabled persons

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

Employee involvement

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

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	1 March 2003	2 March 2002
A C Parker	17,028	11,949
G R L Windle	14,488	13,987
C J Wilkins	4,586	4,556

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 at 2.3.02	Options granted		Options exercised/ (Options lapsed)		Options held at 1.3.03
		Number	Price (p)	Number	Price (p)	
A C Parker	a 196,200	50,000	641.0	-	-	246,200
	b 3,839	-	-	-	-	3,839
	c 39,438	20,634	-	(19,738)	-	40,334
G R L Windle	a 51,300	20,000	641.0	-	-	71,300
	b 3,858	744	441.2	(590)	-	4,012
C J Wilkins	a 117,000	20,000	641.0	-	-	137,000
	b 3,337	856	441.2	(590)	-	3,603

(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 2002/03.

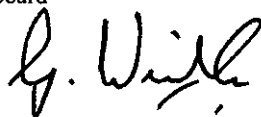
Donations

During the year the company contributed £nil (2001/02 - £4,181) for charitable purposes.

Auditors

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

By order of the board



DIRECTOR

7th August

2003

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

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

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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 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

INDEPENDENT AUDITORS' REPORT

to the members of Country Club Hotels Limited

We have audited the company's financial statements for the year ended 1 March 2003 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, Accounting Policies and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

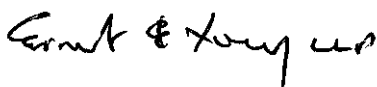
Basis of audit opinion

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 1 March 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

7 August 2003

COUNTRY CLUB HOTELS LIMITED

PROFIT AND LOSS ACCOUNT

<u>Year ended 1 March 2003</u>	<u>Notes</u>	<u>Discontinuing activities</u>	
		<u>2002/03</u>	<u>2001/02</u>
		<u>£</u>	<u>£</u>
TURNOVER		-	52,813,927
Cost of sales		-	(38,314,616)
GROSS PROFIT		-	14,499,311
Administrative expenses		-	(3,598,093)
OPERATING PROFIT	1	-	10,901,218
Dividends received from subsidiaries		48,767	-
Write down of investments		(48,767)	-
PROFIT BEFORE INTEREST		-	10,901,218
Interest payable and similar charges	3	-	(88,343)
PROFIT BEFORE TAXATION		-	10,812,875
Taxation	4	-	(3,411,261)
PROFIT RETAINED FOR SHAREHOLDERS		-	7,401,614
Ordinary dividends	5	(72,028,779)	-
RETAINED PROFIT / (LOSS) FOR THE YEAR	14	(72,028,779)	7,401,614

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other profits or losses other than those above.

COUNTRY CLUB HOTELS LIMITED

BALANCE SHEET

1 March 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
FIXED ASSETS			
Tangible assets	6	-	116,238,027
Investments	7	<u>5,251,211</u>	<u>5,299,978</u>
		<u>5,251,211</u>	<u>121,538,005</u>
CURRENT ASSETS			
Stocks	8	-	632,902
Debtors	9	<u>99,177,568</u>	<u>8,251,689</u>
Cash at bank and in hand		<u>-</u>	<u>25,645</u>
		<u>99,177,568</u>	<u>8,910,236</u>
CREDITORS - amounts falling due within one year	10	<u>(72,028,779)</u>	<u>(16,139,857)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>27,148,789</u>	<u>(7,229,621)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,400,000</u>	<u>114,308,384</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	-	(9,879,605)
		<u><u>32,400,000</u></u>	<u><u>104,428,779</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	<u>32,400,000</u>	<u>32,400,000</u>
Revaluation reserve	14	-	10,443,088
Profit and loss account	14	-	61,585,691
EQUITY SHAREHOLDERS' FUNDS	15	<u><u>32,400,000</u></u>	<u><u>104,428,779</u></u>

G. V. Smith

Director

7th August

2003

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

Tangible fixed assets

Prior to the adoption of FRS15 in the 1999/2000 financial year, properties were regularly revalued on a cyclical basis. Since the adoption of FRS15, the group policy has been not to revalue its properties. Consequently the transitional provisions of FRS15 have been applied and, while previous valuations have been retained, they have not been updated. Details of the last revaluations are given in note 6. Other fixed assets are stated at cost. Gross interest incurred on the financing of major projects are capitalised until the time that they are available for use.

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

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to 50 years.
- Leasehold properties are depreciated to their estimated residual values over the shorter of 50 years, their estimated useful lives and their remaining lease periods.
- Retail furniture, fixtures and equipment are depreciated over 4 to 25 years.
- Motor vehicles are depreciated over 4 to 10 years.

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

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 discontinuing 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

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

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.

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

1. PROFIT AND LOSS ACCOUNT DETAILS

	<u>2003</u>	<u>2002</u>
	£	£
Profit is stated after charging:		
Depreciation (note 6)	-	4,145,364
Operating lease rentals - plant and machinery	-	425,322
- property	-	340,000
	<u>-</u>	<u>4,910,686</u>

2. STAFF COSTS

Other costs of sales, including staff costs, are incurred by the parent undertaking and recharged to the company on an arms length basis. No director received any remuneration from the company during the year.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2003</u>	<u>2002</u>
	£	£
Sundry interest payable	<u>-</u>	<u>88,343</u>

4. TAXATION

	<u>2003</u>	<u>2002</u>
	£	£
Current taxation on profits for the year		
U.K. Corporation Tax	-	2,860,250
Total current taxation	<u>-</u>	<u>2,860,250</u>
Deferred tax		
Timing differences	-	551,011
Total deferred taxation	<u>-</u>	<u>551,011</u>
Total taxation charge	<u>-</u>	<u>3,411,261</u>
Factors affecting the tax charge for the year		
Profit before taxation	-	10,812,875
Tax at current UK Corporation tax rate of 30% (2002 - 30%)	-	3,243,863
Effect of:		
Expenses not deductible for tax purposes	-	167,398
Capital allowances in excess of depreciation	-	(551,011)
Investment disposal	-	-
Current tax charge for the period	<u>-</u>	<u>2,860,250</u>

5. DIVIDENDS PAYABLE

Interim dividend (222.311 pence per share (2001/2 - Nil pence))	<u>72,028,779</u>	<u>-</u>
---	-------------------	----------

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

6. TANGIBLE FIXED ASSETS

	Retail		
	Land & buildings £	Furniture, fixtures & equipment £	Total £
Gross amounts 2 March 2002	95,282,410	41,774,619	137,057,029
Transferred to Swift Hotels Limited	(95,282,410)	(41,774,619)	(137,057,029)
Gross amounts 1 March 2003	-	-	-
Depreciation 2 March 2002	(1,949,181)	(18,869,821)	(20,819,002)
Transferred to Swift Hotels Limited	1,949,181	18,869,821	20,819,002
Depreciation 1 March 2003	-	-	-
Net book amounts 1 March 2003	-	-	-
Net book amounts 2 March 2002	93,333,229	22,904,798	116,238,027

Up to and including 1998/9 it was the company policy to revalue its UK properties, other than leasehold properties with a remaining term of less than 20 years. In 1999/00 the group adopted FRS 15 (Tangible Fixed Assets). The transitional provisions of FRS 15 were applied and, whilst previous valuations have been retained, they have not been updated. From 1999/00 it is company policy not to revalue fixed assets.

If this and previous revaluations had not taken place, the values of the fixed assets would have been:

Gross amounts	-	-	-
Depreciation	-	-	-
Net book amounts 1 March 2003	-	-	-
Net book amounts 2 March 2002	82,890,141	22,904,798	105,794,939

	2003 £	2002 £
The net book value of retail property comprises:		
Freehold	-	42,429,903
Long leasehold	-	32,327,791
Short leasehold	-	18,575,535
	-	93,333,229
	2003 £	2002 £
Cost or valuation of properties		
As valued 1998/9	-	37,200,325
As valued 1997/8	-	9,729,669
As valued 1996/7	-	13,780,851
As valued 1995/6	-	17,672,960
At cost	-	16,898,604
	-	95,282,409

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

7. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Shares at or under cost

At 2 March 2002	5,299,978
Write down of investments on receipt of dividend	(48,767)
At 1 March 2003	<u>5,251,211</u>

8. STOCKS

	<u>2003</u>	<u>2002</u>
	£	£
Finished goods	-	632,902

9. DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Trade debtors	-	1,868,602
Amounts due from group and parent undertakings	99,177,568	6,115,396
Other debtors	-	103,740
Prepayments and accrued income	-	163,951
	<u>99,177,568</u>	<u>8,251,689</u>

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

10. CREDITORS- amounts falling due within one year

	<u>2003</u>	<u>2002</u>
	£	£
Loan capital (see note 11)	-	3,695,667
Amounts due to group and parent undertakings	-	5,733,926
Corporation Tax	-	2,860,215
Other taxes and social security	-	1,840,652
Other creditors	-	928,015
Accruals and deferred income	-	1,081,382
Dividends payable	<u>72,028,779</u>	-
	<u>72,028,779</u>	<u>16,139,857</u>

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

11. LOAN CAPITAL

	Repayment date	Interest rates		
Loan notes	1997-2008	Variable	-	<u>3,695,667</u>

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

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £	Total £
At 2 March 2002	9,879,605	9,879,605
Transferred to Swallow Hotels Limited	(9,879,605)	(9,879,605)
At 1 March 2003	-	-

The above deferred tax liabilities related entirely to capital allowances in advance of depreciation.

13. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2003	2002	2003	2002
	£	£	£	£
'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>

14. RESERVES

	Revaluation reserve £	Profit & loss account £	Total £
2 March 2002	10,443,088	61,585,691	72,028,779
Loss retained	-	(72,028,779)	(72,028,779)
Reserves transferred	(10,443,088)	10,443,088	-
1 March 2003	<u>-</u>	<u>-</u>	<u>-</u>

15. MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Shareholders' funds at 2 March 2002	104,428,779	97,027,165
Profit earned for ordinary shareholders	-	7,401,614
Ordinary dividends	(72,028,779)	-
Shareholders' funds at 1 March 2003	<u>32,400,000</u>	<u>104,428,779</u>

16. LEASE COMMITMENTS

	2003		2002	
	Property	Plant and machinery	Property	Plant and machinery
Annual payments under operating leases which expire:				
Under one year	-	-	-	703
Within two to five years	-	-	-	50,237
Over five years	-	-	292,323	82,507
	<u>-</u>	<u>-</u>	<u>292,323</u>	<u>133,447</u>

NOTES TO THE ACCOUNTS

17. 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.

18. PARENT UNDERTAKING

The company's immediate parent undertaking is Swift Hotels Limited (formerly Swallow Hotels Limited), registered in England and Wales. The smallest group of which the company is a member is Whitbread Hotel Company Limited (formerly Swallow Group Limited), registered in England and Wales. It has included the company in its group financial statements, copies of which are available from its registered office: CityPoint, One Ropemaker Street, London, EC2Y 9HX.

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