COUNTRY CLUB HOTELS LIMITED

REPORT & ACCOUNTS

4 March 2000

Registered number 532865

DIRECTORS:	A C Parker G R L Windle C J Wilkins
SECRETARY:	R N C Franklin (resigned 3 March 2000) M Buxton - Smith (appointed 3 March 2000)
AUDITORS:	Ernst & Young 400 Capability Green Luton LU1 3LU
REGISTERED OFFICE:	Chiswell Street London EC1Y 4SD
REGISTERED NUMBER:	532865

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the year ended 4 March 2000.

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.

Dalmahoy was extended in the year, accommodating an extra 63 bedrooms and, despite the significant disruption continued to grow revenue year on year.

Two of the European Seniors tours were staged at Meon and Dalmahoy in the year, and Forest of Arden has been signed up to host the English Open for the next three years.

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

Results and dividends

The profit for the year after tax amounted to £6,794,189 (1998/9 - £22,363,001 (loss)). The directors do not recommend the payment of a dividend.

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.

Directors

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

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	4 March 2000	27 February 1999
A C Parker	**455**	465
G R L Windle	**18,442**	16,502
C J Wilkins	**7,791**	6,299

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 28.02.99	Options granted Number	Options granted Price (p)	Options exercised Number	Options exercised Price (p)	Options held at 4.3.00
A C Parker	a	**94,600**	**4,600**	**1,101.0**	**3,000**	**594.2**	**96,200**
	b	**3,463**					**3,463**
	c	**17,839**	**10,870**				**28,709**
G R L Windle	a	**41,400**	**1,000**	**1,101.0**			**42,400**
	b	**3,033**			**1,363**	**440.0**	**1,670**
C J Wilkins	a	**71,900**	**4,000**	**1,101.0**	**2,900**	**456.8**	**73,000**
	b	**3,033**	**1,227**	**549.7**	**1,363**	**440.0**	**2,897**

(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 1999/2000.

Donations

During the year the company contributed £505 (1998/9 - £412) for charitable purposes.

Auditors

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

By order of the board

DIRECTOR G. Will

27 October 2000

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 14 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.

REPORT OF THE AUDITORS

to the members of Country Club Hotels Limited

We have audited the accounts on pages 6 to 14 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 and 9.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 4 March 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

27 October 2000

PROFIT AND LOSS ACCOUNT

Year ended 4 March 2000	Notes	1999/00	1998/9 (restated)
		£	£
TURNOVER		**46,524,467**	45,982,333
Cost of sales		**(36,290,781)**	(32,516,435)
GROSS PROFIT		**10,233,686**	13,465,898
Administrative expenses		**(1,861,821)**	(1,848,269)
Dividends from subsidiaries		-	17,147,216
OPERATING PROFIT	1	**8,371,865**	28,764,845
Interest payable and similar charges	3	**(178,783)**	(282,879)
PROFIT BEFORE TAXATION		**8,193,082**	28,481,966
Taxation	4	**(1,398,893)**	(2,244,967)
PROFIT AFTER TAXATION		**6,794,189**	26,236,999
(proposed final dividend of £1.50 per A and B ordinary share)		-	(48,600,000)
RETAINED PROFIT FOR THE YEAR	12	**6,794,189**	(22,363,001)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT EARNED FOR SHAREHOLDERS	**6,794,189**	26,236,999
Prior year adjustments for depreciation arising from the introduction of FRS 15	**(2,644,022)**	-
Unrealised deficit on revaluation of fixed assets	-	(5,254,845)
TOTAL PROFITS RECOGNISED SINCE PREVIOUS YEAR END	**4,150,167**	20,982,154

BALANCE SHEET

4 March 2000

	Notes	2000	1999 (restated)
		£	£
FIXED ASSETS			
Tangible assets	5	**118,113,067**	112,260,620
Investments	6	**7,866,381**	7,866,381
		125,979,448	120,127,001
CURRENT ASSETS			
Stocks	7	**565,042**	563,411
Debtors	8	**4,124,376**	3,278,106
Cash at bank and in hand		**22,556**	25,929
		4,711,974	3,867,446
CREDITORS - amounts falling due within one year	9	**(83,404,510)**	(83,501,724)
NET CURRENT LIABILITIES		**(78,692,536)**	(79,634,278)
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,286,912**	40,492,723
CAPITAL AND RESERVES			
Called up share capital	11	**32,400,000**	32,400,000
Revaluation reserve	12	**10,508,959**	10,508,959
Profit and loss account	12	**4,377,953**	(2,416,236)
SHAREHOLDERS' FUNDS	13	**47,286,912**	40,492,723

G. Wille

Director

27 October 2000

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

Changes in accounting policies

FRS15 (Tangible Fixed Assets) has been adopted in the year. Under previous accounting standards, where retail properties were maintained in such a state of repair that their residual value was at least equal to their net book value and the corresponding depreciation would not be material, depreciation need not be charged. However, FRS15 now requires that retail properties are disaggregated and that depreciation is charged on the separate components. The effects of this are as follows:

- Freehold and leasehold retail properties are now depreciated in accordance with the accounting policies set out below.
- Fixtures and fittings in retail properties were previously included within retail property in the fixed asset note and furniture and equipment were included in plant and machinery. These two categories are now combined under the heading "Retail furniture, fixtures and equipment" and depreciated in accordance with the accounting policies set out below. As permitted by FRS15, because the group's assets have been disaggregated into different components, with significantly differing economic lives for depreciation purposes, the above changes have been accounted for as prior year adjustments. An adjustment has been made to account for backlog depreciation on fixtures and fittings which would have been charged in previous years had the revised accounting policies been in place when the current fixed asset portfolio was acquired.

The effect of the changes on the balance sheet can be seen in note 13. The effect on the profit and net assets is to reduce both as follows.

Impact of FRS15	1999/2000		1998/9	
	Operating Profit	Net Assets	Operating Profit	Net Assets
	£	£	£	£
Country Club Hotels Ltd	(623,619)	(3,267,641)	51,888	(2,644,022)

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 4. Other fixed assets are stated at cost.

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.

ACCOUNTING POLICIES

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.

NOTES TO THE ACCOUNTS

1. PROFIT AND LOSS ACCOUNT DETAILS

	1999/00	1998/9
	£	£
Profit is stated after charging:		
Depreciation (note 4)	**3,318,593**	2,409,091
Hire of plant and machinery	**209,614**	143,887
Operating lease rentals - plant and machinery	**152,534**	134,817

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

Sundry interest payable	**247,740**	284,260
Interest received	**(882)**	(1,381)
Less Interest capitalised	**(68,075)**	-
	178,783	282,879

4. TAXATION

Current taxation on profits for the year		
U.K. Corporation Tax at 30.08% (1998/9 - 31.17%)	**1,368,457**	2,219,514
Adjustments to earlier periods		
Corporation Tax	**30,436**	25,453
	1,398,893	2,244,967

The charge for U.K. Corporation Tax has been relieved by £1,046,366 (1998/9 - £1,582,420), less a prior year adjustment of £1,970,225 (1998/9 - plus £483,731), in respect of accelerated capital allowances.
The potential amount of deferred taxation not provided in these accounts is £13,066,708 (1998/9 - £13,990,567) 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.

NOTES TO THE ACCOUNTS

5. TANGIBLE FIXED ASSETS

	Retail		
	Land & buildings	Furniture, fixtures & equipment	Total
	£	£	£
Gross amounts 27 February 1999 - reanalysed	90,108,432	31,341,096	121,449,528
Additions	2,929,941	6,159,369	9,089,310
Interest capitalised	68,075	-	68,075
Disposals	-	(39,124)	(39,124)
Transfers (to) / from other group companies	-	52,779	52,779
Gross amounts 4 March 2000	93,106,448	37,514,120	130,620,568
Depreciation 27 February 1999 - reanalysed	-	(6,544,886)	(6,544,886)
Adjust for backlog depreciation as at 28 February 1998	-	(2,695,910)	(2,695,910)
Adjust for 1998/9 depreciation	-	51,888	51,888
Depreciation 27 February 1999 - restated	-	(9,188,908)	(9,188,908)
Depreciation for the year	(622,097)	(2,696,496)	(3,318,593)
Depreciation 4 March 2000	(622,097)	(11,885,404)	(12,507,501)
Net book amounts 4 March 2000	92,484,351	25,628,716	118,113,067
Net book amounts 27 February 1999	90,108,432	22,152,188	112,260,620

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:

Gross amounts	82,546,195	37,514,120	120,060,315
Depreciation	(570,803)	(11,885,404)	(12,456,207)
Net book amounts 4 March 2000	81,975,392	25,628,716	107,604,108
Net book amounts 27 February 1999	79,599,474	22,152,188	101,751,662

	2000	1999
The net book value of retail property comprises:	£	£
Freehold	41,755,207	41,977,784
Long leasehold	50,729,144	48,130,648
	92,484,351	90,108,432

NOTES TO THE ACCOUNTS

TANGIBLE FIXED ASSETS cont.

Cost or valuation of properties	2000 £	1999 £
As valued 1998/9	**37,572,225**	37,572,225
As valued 1997/8	**11,459,873**	11,459,873
As valued 1996/7	**14,779,238**	14,779,238
As valued 1995/6	**20,618,343**	20,618,343
As valued 1994/5	-	-
As valued 1993/4	-	-
As valued 1992/3	-	-
At cost	**8,676,769**	5,678,753
	93,106,448	90,108,432

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	£
Shares at or under cost	
27 February 1999 and 4 March 2000	**7,866,381**

Principal subsidiary undertaking	Principal activities	Country of incorporation or registration	Country of principal operations	% equity holding
Goodwood Park Hotel Limited	Hotels	England	England	70

The above company has the same year end as Country Club Hotels Limited and is owned directly by that company. This company principally affect the results and assets of the group.

7. STOCKS

	2000 £	1999 £
Finished goods	**565,042**	563,411

8. DEBTORS

	2000 £	1999 £
Trade debtors	**2,407,107**	1,763,151
Amounts due from group and parent undertakings	**1,330,008**	1,115,396
Corporation Tax recoverable	-	25,403
Other debtors	**27,835**	49,101
Prepayments and accrued income	**359,426**	325,055
	4,124,376	3,278,106

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

NOTES TO THE ACCOUNTS

9. CREDITORS- amounts falling due within one year

	2000 £	1999 £
Loan capital (see note 9)	**4,605,306**	4,637,600
Amounts due to group and parent undertakings	**74,020,114**	25,141,135
Corporation Tax	**1,368,457**	2,244,967
Other taxes and social security	**1,303,053**	1,083,337
Other creditors	**736,023**	562,648
Accruals and deferred income	**1,371,557**	1,232,037
Proposed final dividend	**-**	48,600,000
	83,404,510	83,501,724

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

10. LOAN CAPITAL

	Repayment date	Interest rates		
Loan notes	1997-2008	Variable	**4,605,306**	4,637,600

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

11. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2000 £	1999 £	**2000 £**	1999 £
'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
	34,000,000	34,000,000	**32,400,000**	32,400,000

12. RESERVES

	Revaluation reserve £	Profit & loss account £	Total £
27 February 1999	10,508,959	227,786	10,736,745
Adjust for backlog depreciation as at 28 February 1998		(2,695,910)	(2,695,910)
Adjust for 1998/9 depreciation	-	51,888	51,888
Restated	10,508,959	(2,416,236)	8,092,723
Profit retained	-	6,794,189	6,794,189
4 March 2000	10,508,959	4,377,953	14,886,912

NOTES TO THE ACCOUNTS

13. MOVEMENT IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Shareholders' funds at 27 February 1999	43,136,745	70,806,479
Adjust for backlog depreciation as at 28 February 1998	(2,695,910)	(2,695,910)
Adjust for 1998/9 depreciation	51,888	-
Shareholders' funds at 27 February 1999 - restated	40,492,723	68,110,569
Profit earned for ordinary shareholders	6,794,189	(22,363,001)
Revaluation of tangible fixed assets	-	(5,254,845)
Shareholders' funds at 4 March 2000	47,286,912	40,492,723

14. LEASE COMMITMENTS

	2000		1999	
Annual payments under operating leases which expire:	**Property**	**Plant and machinery**	Property	Plant and machinery
Under one year	-	-	-	-
Within two to five years	-	46,962	-	29,245
Over five years	188,285	105,572	190,019	105,572
	188,285	152,534	190,019	134,817

15. 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.

16. 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.