

COUNTRY CLUB HOTELS LIMITED

REPORT & ACCOUNTS

3 March 2001



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 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 3 March 2001.

Principal activity and review of business development

The Principal 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.

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 £ 10,468,847 (1999/2000 - £ 6,794,189). The directors do not recommend the payment of a dividend.

The dividend proposed in the 1998/1999 accounts amounting to £48,600,000 was not approved and the comparatives have been restated accordingly (see note 14).

Supplier payment policy

Since purchases of goods and services are dealt with through the parent undertaking, Whitbread Group PLC (formerly 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 Group PLC (formerly 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 (formerly Whitbread Holdings PLC), including shares under the Whitbread PLC Share Ownership Scheme are as follows:

| Ordinary shares | <u>3 March 2001</u> | <u>4 March 2000</u> |
|------------------------|----------------------------|----------------------------|
| A C Parker | 14,009 | 494 |
| G R L Windle | 20,976 | 17,186 |
| C J Wilkins | 8,145 | 7,791 |

Options over ordinary shares

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

| | Options held at 4.3.00 | Options granted | | Options exercised/ (Options lapsed) | | Options held at 3.3.01 |
|--------------|-----------------------------------|------------------------|------------------|--|------------------|-----------------------------------|
| | | Number | Price (p) | Number | Price (p) | |
| A C Parker | a 96,200 | 50,000 | 542.4 | - | - | 146,200 |
| | b 3,463 | - | - | 3,463 | 498.0 | - |
| | c 28,709 | 19,738 | 508.8 | (9,063) | - | 39,384 |
| G R L Windle | a 42,400 | 24,000 | 542.4 | 7800 | 451.2 | 58,600 |
| | b 1,670 | 3,268 | 413.0 | (1,080) | - | 3,858 |
| C J Wilkins | a 73,000 | 24,000 | 542.4 | - | - | 97,000 |
| | b 2,897 | - | - | - | - | 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 (formerly Whitbread Holdings PLC) annual report and accounts for 2000/2001.

Donations

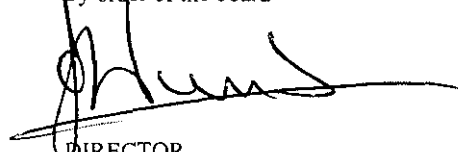
During the year the company contributed £ 1,339 (1999/00 - £505) for charitable purposes.

Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

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

By order of the board


DIRECTOR
C. WILKINS

20-12-2001

**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.

INDEPENDENT AUDITORS' REPORT

to the members of Country Club Hotels Limited

We have audited the company's accounts for the year ended 3 March 2001 which comprise the Profit and loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the accounts 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 accounts, 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.

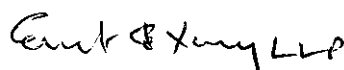
Basis of opinion

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 3 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London



2001

COUNTRY CLUB HOTELS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 3 March 2001

| | Notes | <u>2000/2001</u> £ | <u>1999/2000</u> £ |
|--------------------------------------|-------|---------------------------------|--------------------------------|
| TURNOVER | | 51,289,458 | 46,524,467 |
| Cost of sales | | <u>(38,111,865)</u> | <u>(36,290,781)</u> |
| GROSS PROFIT | | 13,177,593 | 10,233,686 |
| Administrative expenses | | <u>(2,954,191)</u> | <u>(1,861,821)</u> |
| OPERATING PROFIT | 1 | 10,223,402 | 8,371,865 |
| Profit on sale of investment | 6 | 4,872,071 | - |
| Write down of investments | | (2,438,474) | |
| Profit on sale of fixed assets | | <u>20,028</u> | <u>-</u> |
| | | 12,677,027 | 8,371,865 |
| Interest payable and similar charges | 3 | <u>(88,820)</u> | <u>(178,783)</u> |
| PROFIT BEFORE TAXATION | | 12,588,207 | 8,193,082 |
| Taxation | 4 | <u>(2,119,360)</u> | <u>(1,398,893)</u> |
| RETAINED PROFIT FOR THE YEAR | 12 | <u><u>10,468,847</u></u> | <u><u>6,794,189</u></u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

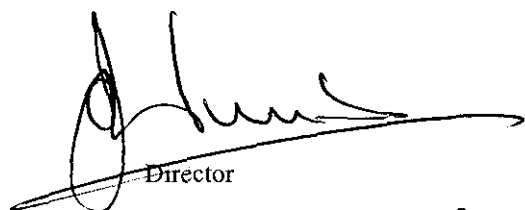
| | | <u>2000/2001</u> £ | <u>1999/2000</u> £ |
|--|----|---------------------------------|--------------------------------|
| Profit for the financial year | | 10,468,847 | 6,794,189 |
| Prior year adjustment | 14 | <u>48,600,000</u> | <u>-</u> |
| Total recognised gains and losses for the year | | <u><u>59,068,847</u></u> | <u><u>6,794,189</u></u> |

COUNTRY CLUB HOTELS LIMITED

BALANCE SHEET

3 March 2001

| | Notes | 2001 £ | (restated) 2000 £ |
|--|-------|---------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 5 | 117,489,300 | 118,113,067 |
| Investments | 6 | 5,299,978 | 7,866,381 |
| | | <u>122,789,278</u> | <u>125,979,448</u> |
| CURRENT ASSETS | | | |
| Stocks | 7 | 587,041 | 565,042 |
| Debtors | 8 | 9,244,559 | 4,124,376 |
| Cash at bank and in hand | | <u>24,792</u> | <u>22,556</u> |
| | | 9,856,392 | 4,711,974 |
| CREDITORS - amounts falling due within one year | 9 | <u>(26,289,911)</u> | <u>(34,804,510)</u> |
| NET CURRENT LIABILITIES | | <u>(16,433,519)</u> | <u>(30,092,536)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>106,355,759</u> | <u>95,886,912</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 32,400,000 | 32,400,000 |
| Revaluation reserve | 12 | 10,456,463 | 10,508,959 |
| Profit and loss account | 12 | <u>63,499,296</u> | <u>52,977,953</u> |
| EQUITY SHAREHOLDERS' FUNDS | 13 | <u>106,355,759</u> | <u>95,886,912</u> |


Director

C. WILKINS

20-12-2001

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 5. 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.

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>2001</u> | <u>2000</u> |
|---|----------------|-------------|
| | £ | £ |
| Profit is stated after charging: | | |
| Depreciation (note 5) | 4,166,527 | 3,318,593 |
| Hire of plant and machinery | - | 209,614 |
| Operating lease rentals - plant and machinery | 287,619 | 152,534 |
| - property | <u>433,800</u> | <u>-</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>2001</u> | <u>2000</u> |
|---------------------------|---------------|----------------|
| | £ | £ |
| Sundry interest payable | 88,820 | 247,740 |
| Interest received | - | (882) |
| Less Interest capitalised | - | (68,075) |
| | <u>88,820</u> | <u>178,783</u> |

4. TAXATION

| | <u>2001</u> | <u>2000</u> |
|--|------------------|------------------|
| | £ | £ |
| Current taxation on profits for the year | | |
| U.K. Corporation Tax at 30% (1999/2000 - 30.08%) | 2,559,134 | 1,368,457 |
| Adjustments to earlier periods | | |
| Corporation Tax | (439,774) | 30,436 |
| | <u>2,119,360</u> | <u>1,398,893</u> |

The charge for U.K. Corporation Tax has been relieved by £589,671 (1999/00 - £1,046,366) in respect of accelerated capital allowances.

The potential amount of deferred taxation not provided in these accounts is £13,802,635 (1999/00 - £13,066,708) 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

5. TANGIBLE FIXED ASSETS

| | Retail | | |
|-------------------------------|---------------------|---------------------------------------|---------------------|
| | Land & buildings | Furniture, fixtures & equipment | Total |
| | £ | £ | £ |
| Gross amounts 4 March 2000 | 93,106,448 | 37,514,120 | 130,620,568 |
| Additions | 1,179,584 | 2,452,786 | 3,632,370 |
| Disposals | (90,000) | - | (90,000) |
| Gross amounts 3 March 2001 | <u>94,196,032</u> | <u>39,966,906</u> | <u>134,162,938</u> |
| Depreciation 4 March 2000 | (622,097) | (11,885,404) | (12,507,501) |
| Depreciation for the year | (666,633) | (3,499,894) | (4,166,527) |
| Disposals | 390 | - | 390 |
| Depreciation 3 March 2001 | <u>(1,288,340)</u> | <u>(15,385,298)</u> | <u>(16,673,638)</u> |
| | | | - |
| Net book amounts 3 March 2001 | <u>92,907,692</u> | <u>24,581,608</u> | <u>117,489,300</u> |
| Net book amounts 4 March 2000 | <u>92,484,351</u> | <u>25,628,716</u> | <u>118,113,067</u> |

Upto 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 | 83,739,569 | 39,966,906 | 123,706,475 |
| Depreciation | (1,288,340) | (15,385,298) | (16,673,638) |
| Net book amounts 3 March 2001 | <u>82,451,229</u> | <u>24,581,608</u> | <u>107,032,837</u> |
| Net book amounts 4 March 2000 | <u>81,975,392</u> | <u>25,628,716</u> | <u>107,604,108</u> |

| | 2001 | 2000 |
|---|-------------------|-------------------|
| | £ | £ |
| The net book value of retail property comprises: | | |
| Freehold | 42,062,791 | 41,755,207 |
| Long leasehold | <u>50,839,582</u> | <u>50,729,144</u> |
| | <u>92,902,373</u> | <u>92,484,351</u> |

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

TANGIBLE FIXED ASSETS cont.

| | 2001 £ | 2000 £ |
|---------------------------------|-------------------|-------------------|
| Cost or valuation of properties | | |
| As valued 1998/9 | 37,200,325 | 37,572,225 |
| As valued 1997/8 | 9,729,669 | 11,459,873 |
| As valued 1996/7 | 13,780,851 | 14,779,238 |
| As valued 1995/6 | 17,672,960 | 20,618,343 |
| At cost | <u>15,812,226</u> | <u>8,676,769</u> |
| | <u>94,196,031</u> | <u>93,106,448</u> |

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

| | £ |
|-----------------------------------|------------------|
| Shares at or under cost | |
| 4 March 2000 | 7,866,381 |
| Disposal of Goodwood Park Limited | (127,929) |
| Write down of investments | (2,438,474) |
| 3 March 2001 | <u>5,299,978</u> |

As part of a rationalisation of holdings within the Whitbread Group due to Debenture Covenants requirements within the Swallow Group subsidiary, on 2 September 2000 the ownership of the company was transferred from Whitbread Group PLC to Swallow Group Limited. As part of that rationalisation the company sold its 70% holding in Goodwood Park Limited to Whitbread Hotels Limited, generating a profit of £4,872,071. At the same time a review was performed comparing the carrying value of the remaining investments to the net assets of these investments. The result of this review was to write down the value of the investments by £2,438,474.

On 3 March 2001 the ownership of the company was further transferred from Swallow Group Limited to Swallow Hotels Limited.

7. STOCKS

| | 2001 £ | 2000 £ |
|----------------|----------------|----------------|
| Finished goods | <u>587,041</u> | <u>565,042</u> |

8. DEBTORS

| | 2001 £ | 2000 £ |
|--|------------------|------------------|
| Trade debtors | 2,628,020 | 2,407,107 |
| Amounts due from group and parent undertakings | 6,175,138 | 1,330,008 |
| Other debtors | 90,538 | 27,835 |
| Prepayments and accrued income | <u>350,863</u> | <u>359,426</u> |
| | <u>9,244,559</u> | <u>4,124,376</u> |

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

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

| | 2001 | (restated) 2000 |
|--|-------------------|--------------------|
| | £ | £ |
| 9. CREDITORS- amounts falling due within one year | | |
| Loan capital (see note 10) | 3,710,596 | 4,605,306 |
| Amounts due to group and parent undertakings | 14,723,551 | 25,420,114 |
| Corporation Tax | 2,559,134 | 1,368,457 |
| Other taxes and social security | 2,305,513 | 1,303,053 |
| Other creditors | 1,249,786 | 736,023 |
| Accruals and deferred income | 1,741,331 | 1,371,557 |
| | <u>26,289,911</u> | <u>34,804,510</u> |

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

10. LOAN CAPITAL

| | Repayment date | Interest rates | | |
|------------|-------------------|-------------------|------------------|------------------|
| Loan notes | 1997-2008 | Variable | <u>3,710,596</u> | <u>4,605,306</u> |

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 | |
|--------------------------------|-------------------|-------------------|---------------------------------------|-------------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £ | £ | £ | £ |
| '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> |

12. RESERVES

| | Revaluation reserve | Profit & loss account | Total |
|--|------------------------|--------------------------|-------------------|
| | £ | £ | £ |
| 4 March 2000 (as reported) | 10,508,959 | 4,377,953 | 14,886,912 |
| Dividend proposed in 1999 - not approved | - | 48,600,000 | 48,600,000 |
| 4 March 2000 (restated) | 10,508,959 | 52,977,953 | 63,486,912 |
| Profit retained | - | 10,468,847 | 10,468,847 |
| Reserves transferred | (52,496) | 52,496 | - |
| 3 March 2001 | <u>10,456,463</u> | <u>63,499,296</u> | <u>73,955,759</u> |

COUNTRY CLUB HOTELS LIMITED

NOTES TO THE ACCOUNTS

13. MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2001 £ | 2000 £ |
|--|--------------------|-------------------|
| Shareholders' funds at 4 March 2000 (as reported) | 95,886,912 | 40,492,723 |
| Dividend proposed in 1999 - not approved (see note 14) | - | 48,600,000 |
| Shareholders' funds at 4 March 2000 - restated | 95,886,912 | 89,092,723 |
| Profit earned for ordinary shareholders | 10,468,847 | 6,794,189 |
| Shareholders' funds at 3 March 2001 | <u>106,355,759</u> | <u>95,886,912</u> |

14. PRIOR YEAR ADJUSTMENT

The dividend proposed in the 1998/1999 accounts amounting to £48,600,000 was not approved. As a result the comparatives have been restated which has the effect of increasing net assets by £48,600,000.

15. LEASE COMMITMENTS

| | 2001 | | 2000 | |
|---|----------------|------------------------|----------------|------------------------|
| | Property | Plant and machinery | Property | Plant and machinery |
| Annual payments under operating leases which expire: | | | | |
| Under one year | - | 13,726 | - | - |
| Within two to five years | - | 161,455 | - | 46,962 |
| Over five years | 433,800 | 122,438 | 188,285 | 105,572 |
| | <u>433,800</u> | <u>297,619</u> | <u>188,285</u> | <u>152,534</u> |

16. RELATED PARTIES

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

17. 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 (formerly Whitbread Holdings PLC), registered in England and Wales. Copies of their accounts can be obtained from CityPoint, One Ropemaker Street, London EC2Y 9HX.