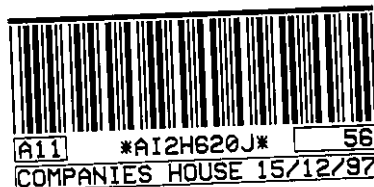


GOODWOOD
PARK HOTEL
LIMITED

REPORT & ACCOUNTS

1 MARCH 1997

Registered number 1326672



GOODWOOD PARK HOTEL LIMITED

DIRECTORS: Mr A C Parker (resigned 1 April 1997)
The Right Hon. Duke of Richmond and Gordon
Mr R N Fabricius
Mr G R L Windle (Chairman)
The Right Hon. the Earl of March and Kinrara
Mr S A Guest (resigned 17 September 1996)
Mr G D Hearn (resigned 27 February 1997)
Mr T Perez
Mr N Kellock (appointed 17 September 1996)
Mr P G Manby (appointed 16 April 1997)

SECRETARY: Miss M Buxton - Smith

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

BANKERS: National Westminster Bank plc
32 Corn Street
Bristol
Avon
BS99 7UG

REGISTERED OFFICE: Chiswell Street
London
EC1Y 4SD

REGISTERED NUMBER: 1326672

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the year ended 1 March 1997.

Principal activity and review of business development

The principal activity of the company during the year was the operation of an hotel and golf club. The company intends to continue this activity for the foreseeable future.

The extensive capital refurbishment programme was completed in June 1996 with over £4m spent over the last two year. In July 1996 the hotel rebranded and now trades as a Marriott Hotel & Country Club, under a franchise agreement with Marriott International. The refurbishment was financed by a loan from Whitbread PLC of £3.7m, as shown in note 7.

Post rebranding, the hotel has performed very satisfactorily with occupancy increases versus last year and considerable increases in average room rate being achieved. However, year on year profit has shown a decline as a result of Marriott fees now chargeable plus the need to increase payroll costs to run a fully operational hotel.

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 £174,484 (1995/6 - £692,519). The directors do not recommend the payment of a dividend.

Directors

The Directors of the company are listed on page 1.

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 held under the Whitbread PLC Share Ownership Scheme are as follows:

Ordinary shares	<u>1 March 1997</u>	<u>3 March 1996</u>
A C Parker	467	7,461
T Perez	70	68
G R L Windle	13,855	12,599

DIRECTORS' REPORT

Directors' interests (continued)

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 3.03.96 or appointment	Options granted		Options exercised		Options held at 1.03.97
			Number	Price	Number	Price	
A C Parker	a	17,800	61,300	739.2	-	-	79,100
	b	3,463					3,463
G R L Windle	a	36,200	3,100	739.2	-	-	39,300
	b	3,856	590	584.2	817	366.9	3,629
N Kellock	a	14,000	4,400	739.2	-	-	18,400

(a) the Executive Share Option Scheme

(b) the Savings Related Option Scheme

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors of the company and a resolution proposing their reappointment will be put to the members at the Annual General Meeting.

By order of the board



SECRETARY

23 September 1997

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.

REPORT OF THE AUDITORS

to the members of Goodwood Park Hotel 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 9.

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.

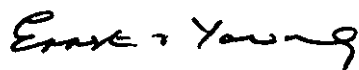
Basis of opinion

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 1 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Luton

23/9 1997

PROFIT AND LOSS ACCOUNTYear ended 1 March 1997

	Notes	52 weeks 1996/7 £	53 weeks 1995/6 £
TURNOVER		3,871,237	3,595,385
Cost of sales		(3,200,318)	(2,732,714)
GROSS PROFIT		670,919	862,671
Administrative expenses		(390,931)	(195,413)
OPERATING PROFIT	1	279,988	667,258
Interest payable on loan from parent undertaking		(243,632)	
Interest receivable		41,259	32,105
PROFIT/(LOSS) BEFORE TAXATION		77,615	699,363
Taxation	2	96,869	(6,844)
RETAINED PROFIT FOR THE YEAR	9	174,484	692,519

There were no recognised gains or losses other than those recognised in the profit and loss account.

BALANCE SHEET

1 March 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	3	<u>11,134,944</u>	<u>9,024,218</u>
CURRENT ASSETS			
Stocks	4	25,629	14,692
Debtors	5	360,540	94,936
Cash at bank and in hand		<u>327,132</u>	<u>401,404</u>
		713,301	511,032
CREDITORS - amounts falling due within one year	6	<u>(590,331)</u>	<u>(1,901,820)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>122,970</u>	<u>(1,390,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,257,914	7,633,430
CREDITORS - amounts falling due after more than one year	7	<u>(5,654,708)</u>	<u>(2,204,708)</u>
TOTAL ASSETS LESS LIABILITIES		<u>5,603,206</u>	<u>5,428,722</u>
CAPITAL AND RESERVES			
Called up share capital	8	100,000	100,000
Revaluation reserve	9	2,079,565	2,079,565
Profit and loss account	9	<u>3,423,641</u>	<u>3,249,157</u>
SHAREHOLDERS' FUNDS	10	<u>5,603,206</u>	<u>5,428,722</u>

G. W. White
G. W. WHITE

Director

23 September 1997

CASH FLOW STATEMENT**Year ended 1 March 1997**

	Notes	1996/7	1995/6
		£	£
OPERATING ACTIVITIES			
Operating profit		279,988	667,258
Depreciation	3	220,359	141,392
Other non- cash movements		-	(2,714)
(Increase) / decrease in stocks		(10,937)	16,953
(Increase) / decrease in debtors		(129,708)	50,433
Increase / (decrease) in creditors		(15,613)	33,386
NET CASH INFLOW FROM OPERATING ACTIVITIES		344,089	906,708
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		41,259	32,105
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		41,259	32,105
TAXATION			
UK Corporation Tax paid		(120,629)	(351,119)
INVESTING ACTIVITIES			
Purchase of plant		(2,331,085)	(1,665,723)
Sale of plant		-	6,540
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(2,331,085)	(1,659,183)
NET CASH OUTFLOW BEFORE FINANCING		(2,066,366)	(1,071,489)
FINANCING			
Loan capital repaid	11	(250,000)	(330,000)
Net funding from group and parent undertakings			
Loan	11	3,700,000	-
Other	11	(1,457,906)	1,358,573
DECREASE IN CASH	11	(74,272)	(42,916)

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, 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 instalments over their expected useful lives as follows:

Furniture and equipment	6 years
Motor vehicles	5 years

Stocks

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

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.

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.

NOTES TO THE ACCOUNTS**1. PROFIT AND LOSS ACCOUNT DETAILS**

	<u>1996/97</u>	<u>1995/96</u>
	£	£
Profit is stated after charging:		
Depreciation of fixed assets (note 3)	220,359	141,392
Operating lease rentals - plant and machinery	9,345	12,074
Hire of plant and machinery	<u>1,994</u>	<u>7,433</u>

Labour costs included in these accounts are in respect of employees of the ultimate parent undertaking. No director received any remuneration from the company during the year.

Day to day transactions with The Goodwood Estate Company Limited amounted to £39,000 charged to the company on an arms length basis. All other costs, amounting to £3,331,000, are incurred by Whitbread PLC on behalf of the company and recharged to the company.

2. TAXATION**Current taxation on profits for the year**

U.K. Corporation Tax at 33% (1995/6 - 33%)	(189,860)	132,842
Adjustments to earlier periods		
Corporation Tax	<u>92,991</u>	<u>(125,998)</u>
	<u>(96,869)</u>	<u>6,844</u>

The charge for U.K. Corporation Tax has been relieved by £228,465 (1995/6 - £102,239) in respect of accelerated capital allowances, for which no provision for deferred taxation is considered necessary.

The potential amount of deferred taxation not provided in these accounts is £757,611 (1995/6 - £394,072) 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.

3. TANGIBLE FIXED ASSETS

	<u>Long leasehold retail property</u>	<u>Plant & machinery</u>	<u>Total</u>
	£	£	£
Gross amounts 2 March 1996	8,585,126	1,417,782	10,002,908
Additions	1,117,354	1,213,731	2,331,085
Disposals	-	(756,676)	(756,676)
Gross amounts 1 March 1997	<u>9,702,480</u>	<u>1,874,837</u>	<u>11,577,317</u>
Depreciation 2 March 1996	-	(978,690)	(978,690)
Depreciation for the year	-	(220,359)	(220,359)
Disposals	-	756,676	756,676
Depreciation 1 March 1997	<u>-</u>	<u>(442,373)</u>	<u>(442,373)</u>
Net book amounts 1 March 1997	<u>9,702,480</u>	<u>1,432,464</u>	<u>11,134,944</u>
Net book amounts 2 March 1996	<u>8,585,126</u>	<u>439,092</u>	<u>9,024,218</u>

NOTES TO THE ACCOUNTS3. TANGIBLE FIXED ASSETS (continued)

The directors carried out a valuation of the company's property during 1994/5. The property was valued at open market value for the purpose of its existing use by chartered surveyors employed by the parent company. If this and previous revaluations had not taken place, the values of fixed assets would have been:

	<u>Long leasehold retail property</u>	<u>Plant & machinery</u>	<u>Total</u>
	£	£	£
Gross amounts	7,622,915	1,874,837	9,497,752
Depreciation	-	(442,373)	(442,373)
Net book amounts 1 March 1997	<u>7,622,915</u>	<u>1,432,464</u>	<u>9,055,379</u>
Net book amounts 2 March 1996	<u>6,505,561</u>	<u>439,092</u>	<u>6,944,653</u>
		<u>1997</u>	<u>1996</u>
Capital commitments		£	£
Contracted		<u>32,000</u>	<u>1,010,000</u>

4. STOCKS

Finished goods for resale	<u>25,629</u>	<u>14,692</u>
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5. DEBTORS

Trade debtors	180,032	66,247
Amounts due from Whitbread group undertakings	60	6,591
Other debtors	142,427	89
Prepayments and accrued income	<u>38,021</u>	<u>22,009</u>
	<u>360,540</u>	<u>94,936</u>

6. CREDITORS- amounts falling due within one year

Trade creditors	18,453	2,777
Amounts owed to Whitbread group undertakings	153,671	1,618,108
Corporation Tax	-	75,071
Other creditors	49,716	205,864
Accruals and deferred income	<u>368,491</u>	<u>-</u>
	<u>590,331</u>	<u>1,901,820</u>

Included above is £2,000 due to The Goodwood Estate Company Limited, a related party.

NOTES TO THE ACCOUNTS7. CREDITORS - amounts falling due after more than one year

	<u>1997</u>	<u>1996</u>
	£	£
Debentures	1,954,708	2,204,708
Amount owed to parent undertakings	<u>3,700,000</u>	<u>-</u>
	<u>5,654,708</u>	<u>2,204,708</u>

The debentures, which are secured on the Marriott Goodwood Park Hotel, are interest free and repayable at the option of the company. The amount due to parent undertaking is a loan secured on the assets of the company, ranking after the debentures. The loan carries interest at 9.85% and is repayable by instalments between 2000 and 2006.

8. SHARE CAPITAL

	Authorised, allotted, called up and fully paid	
	<u>1997</u>	<u>1996</u>
	£	£
'A' ordinary shares of £1 each	30,000	30,000
'B' ordinary shares of £1 each	<u>70,000</u>	<u>70,000</u>
	<u>100,000</u>	<u>100,000</u>

The 'A' and 'B' shares rank pari passu in all respects save the number of directors which can be appointed by each share class.

9. RESERVES

	<u>Revaluation reserve</u>	<u>Profit & loss account</u>	<u>Total</u>
	£	£	£
2 March 1996	2,079,565	3,249,157	5,328,722
Profit retained	-	<u>174,484</u>	<u>174,484</u>
1 March 1997	<u>2,079,565</u>	<u>3,423,641</u>	<u>5,503,206</u>

10. MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
Shareholders' funds at 2 March 1996	5,428,722	4,736,203
Profit earned for ordinary shareholders	<u>174,484</u>	<u>692,519</u>
Shareholders' funds at 1 March 1997	<u>5,603,206</u>	<u>5,428,722</u>

11. BALANCE SHEET MOVEMENTS IN CASH AND CASH EQUIVALENTS AND NET BORROWINGS

1996/7	2 March 1996	Cash flow	1 March 1997
	£	£	£
Cash	401,404	(74,272)	327,132
Net funding from group and parent undertaking			
Loan	-	(3,700,000)	(3,700,000)
Other	(1,611,517)	1,457,906	(153,611)
Loan capital over one year	(2,204,708)	250,000	(1,954,708)
Net borrowings	<u>(3,414,821)</u>	<u>(2,066,366)</u>	<u>(5,481,187)</u>
1995/6	25 February 1995	Cash flow	2 March 1996
	£	£	£
Cash	444,649	(43,245)	401,404
Overdrafts	(329)	329	-
Net cash	444,320	(42,916)	401,404
Net funding from group and parent undertaking	(252,944)	(1,358,573)	(1,611,517)
Loan capital over one year	(2,534,708)	330,000	(2,204,708)
Net borrowings	<u>(2,343,332)</u>	<u>(1,071,489)</u>	<u>(3,414,821)</u>

12. LEASE COMMITMENTS

Annual payments for plant and machinery under operating leases which expire:

Under one year	-	753
Within two to five years	-	303

13. RELATED PARTIES

All the transactions and balances with related parties, Whitbread PLC and The Goodwood Estate Company Limited, are disclosed in the notes to these accounts.

14. 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.