

WHITBREAD (G.C.) LIMITED
(FORMERLY KNOWN AS SCOTT'S (G.C.) LIMITED)

REPORT AND ACCOUNTS
Year to 2 March 1996

Registered Number 2468741



DIRECTORS

JS Lacey	(resigned 25 August 1995)
JHvL Hubrecht	(resigned 25 August 1995)
AS Risley	(Appointed 25 August 1995)
AC Parker	(Appointed 25 August 1995)
GRL Windle	(Appointed 25 August 1995)
R Fairhurst	(Alternate to AC Parker, appointed 25 August 1995, resigned 15 January 1996)
CB Rutherford	(Alternate to AS Risley, appointed 25 August 1995, resigned 15 January 1996)

SECRETARY

NJ Fenton	(Appointed 25 August 1995)
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REGISTERED OFFICE

Chiswell Street
London
EC1Y 4SD
ENGLAND

AUDITORS

Ernst & Young
400 Capability Green
Luton LU1 3LU

REGISTERED NUMBER

2468741

DIRECTORS' REPORT

Accounts

The directors submit to the shareholders their report and accounts for the ten month period ended 2 March 1996. During the period, the company changed its accounting reference date to that of Whitbread PLC.

Principal activities and business review

The company is a wholly owned subsidiary of Whitbread Hotels Limited (formerly known as Scott's Hotels Limited), which became a wholly owned subsidiary of Whitbread PLC on 25 August 1995.

The principal activity of the company during the ten month period was the ownership and operation of four hotels in the United Kingdom. The hotels operate as "Courtyard by Marriott" hotels under a franchise agreement with Marriott Worldwide Corporation.

The directors are pleased to report increases in both occupancy and average room rate achieved by the company, which was reflected in the results. With the acquisition of the company by Whitbread PLC the directors anticipate further improvements.

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 in preparing the financial statements.

Results and dividends

The profit after taxation for the period attributable to shareholders amounted to £2,824,757 (year ended 30 April 1995 - £2,134,589 loss). The directors do not recommend the payment of a dividend.

Fixed assets

Changes in tangible fixed assets are shown in notes 7 and 8 to the accounts.

Directors

The directors who held office during the year 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>2 March 1996</u>	<u>On appointment</u>
A S Risley	659	659
A C Parker	8,021	1,474
G R L Windle	12,599	12,469

DIRECTORS' REPORT

Directors' interests (continued)

Options over ordinary shares

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

		<u>Options held on appointment</u>	<u>Options granted</u>		<u>Options exercised</u>		<u>Options held at 02.03.96</u>
			<u>Number</u>	<u>Price</u>	<u>Number</u>	<u>Price</u>	
A S Risley	a	20,400	-	-	-	-	20,400
A C Parker	a	100,000	-	-	82,200	456.80p	17,800
	b	-	-	-	-	-	-
G R L Windle	a	36,200	-	-	-	-	36,200
	b	3,856	-	-	-	-	3,856

(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.

By order of the Board

Nicole J Fenton

Secretary

10 December

1996

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 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 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.

AUDITOR'S REPORT

REPORT OF THE AUDITORS

to the members of Whitbread (G.C.) Limited

We have audited the accounts 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 accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

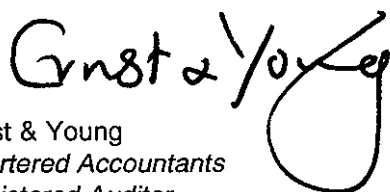
Basis of opinion

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 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 2 March 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Luton

18 December

1996

PROFIT AND LOSS ACCOUNT**Ten month period ended 2 March 1996**

	Notes	10 months ended 2 March 1996 £	Year ended 30 April 1995 £
TURNOVER		5,600,402	5,975,285
Cost of sales		<u>(3,872,794)</u>	<u>(4,225,079)</u>
GROSS PROFIT		1,727,608	1,750,206
Administrative expenses		<u>(1,531,531)</u>	<u>(2,312,140)</u>
OPERATING PROFIT/(LOSS)		196,077	(561,934)
Interest receivable and similar income	1	<u>3,315</u>	<u>14,335</u>
Interest payable and similar charges	3	<u>(498,684)</u>	<u>(1,898,352)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(299,292)	(2,445,951)
Tax credit on loss on ordinary activities	4	<u>3,124,046</u>	<u>311,362</u>
RETAINED PROFIT/(LOSS) FOR THE PERIOD	12	<u><u>2,824,754</u></u>	<u><u>(2,134,589)</u></u>

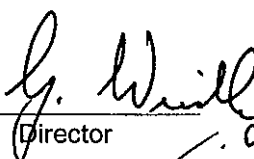
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT EARNED FOR SHAREHOLDERS	2,824,754	(2,134,589)
Unrealised deficit on revaluation of fixed assets	<u>(11,767,000)</u>	<u>-</u>
TOTAL LOSSES RECOGNISED SINCE PREVIOUS YEAR END	<u><u>(8,942,246)</u></u>	<u><u>(2,134,589)</u></u>

BALANCE SHEET

2 March 1996

	Notes	1996	30 April 1995
		£	£
FIXED ASSETS			
Intangible assets	6	-	999,850
Tangible assets	7	16,819,854	28,832,382
		16,819,854	29,832,232
CURRENT ASSETS AND LIABILITIES			
Stocks		33,756	25,744
Debtors	8	3,727,126	962,289
Cash at bank and in hand		2,627,930	91,521
		6,388,812	1,079,554
Creditors - amounts falling due within one year	9	(4,145,887)	(19,906,764)
NET CURRENT ASSETS/(LIABILITIES)		2,242,925	(18,827,210)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,062,779	11,005,022
CAPITAL AND RESERVES			
Called up share capital	11	17,020,301	20,301
Share premium account	12	20,279,701	20,279,701
Revaluation reserve - deficit	12	(11,767,000)	-
Profit and loss account - deficit	12	(6,470,223)	(9,294,980)
SHAREHOLDERS' FUNDS	13	19,062,779	11,005,022


 Director
 10 December 1996

ACCOUNTING POLICIES

A. Accounting convention

The accounts are prepared in accordance with applicable Accounting Standards under the historical cost convention and include the revaluation of property.

B. Intangible fixed assets

Due to the acquisition of Whitbread (G.C.) Limited's parent company on 25 August 1995 by the Whitbread Group, all intangible fixed assets have been written off to the profit and loss account. This treatment is consistent with the Whitbread group's policy on intangible assets.

C. Tangible fixed assets

Interest costs incurred in the financing of major projects, until the time that they are bought into use, are capitalised. While it is the company's policy to depreciate relevant fixed assets, the nature of the hotel industry requires that, in order to protect that trade, freehold and long leasehold hotel 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 these properties would not be material. Prior to 25 August 1995 properties were depreciated over 55 years or the term of the lease if shorter.

The cost of other fixed assets is depreciated by equal annual instalments over the expected useful lives of the assets as follows:

Computer equipment	5 years	} (prior to 25 August 1995, over 5 to 11 years)
Furniture and equipment	6 years	
Motor vehicles	5 years	(prior to 25 August 1995, over 3 years)

After the company was acquired by the Whitbread group on 25 August 1995 depreciation rates were changed to the above rates. The effect of the change was not material.

D. Stocks

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

E. Deferred taxation

Deferred taxation is recognised under the liability method on all timing differences where it is considered that a liability will crystallise or tax will be recoverable in the foreseeable future.

F. Leases

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

G. Cash flow statement

As permitted by Financial Reporting Standard number 1, a cash flow statement has not been prepared as the company is a wholly owned subsidiary of a European Community parent company.

H. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the transaction date. All differences are taken to the profit and loss account.

I. Pensions

Contributions to the pension schemes are charged against profits by spreading the cost of benefits over expected remaining working lives of the employees in the schemes. Contributions to the pension schemes are assessed in accordance with the advice of a qualified actuary based on actuarial valuations conducted every three years.

J. Turnover

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

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

	10 months ended 2 March 1996	Year ended 30 April 1995
	£	£
Operating profit is stated after charging:		
Auditors' remuneration - audit	4,290	7,150
- tax and other services	2,320	4,060
Depreciation (note 7)	242,159	334,354
Amortisation of intangible assets (note 6)	157,122	497,052
Operating lease rentals - land and buildings	-	15,000
Provision for diminution in value of land	-	1,025,070
Intangible assets written off - see footnote	842,728	-
Reorganisation costs	122,400	-

No director received any remuneration from the company during the year.

It is not the Whitbread group's policy to recognise intangible fixed assets and therefore such assets have been written off, the effect of which was a charge of £842,728 in the profit and loss account.

2. STAFF COSTS

Wages and salaries	1,418,697	1,541,605
Social security costs	109,088	113,304
Other pension costs	37,073	30,911
	1,564,858	1,685,820
	1995/96	1994/95
	Number	Number
Average weekly number of employees:	216	212

Until 1 March 1996 the company operated two defined benefit pension schemes for its staff and executives both of which are funded by the payment of contributions to separately administered funds. The contributions to these schemes are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent actuarial valuation was at 6 April 1993.

The valuation was undertaken with the following assumptions:

	Staff scheme	Executive scheme
Rate of return on investment	9%	9%
Salary increase rate	7%	8%
Pension increase rate	3%	5%

The actuarial valuation at 6 April 1993 showed that the market values of the schemes' assets were £3,674,000 for the staff and £2,541,000 for the executive scheme. The actuarial values of the schemes' assets represented 107% for the staff scheme, and 91% for the executive scheme, of the benefits that had accrued to the members, after allowing for future increases in earnings.

NOTES TO THE ACCOUNTS**2. STAFF COSTS (continued)**

For the executive scheme the employers' contribution rates have been increased to remove the shortfall over the expected working lifetime of the current employees. As a result of the acquisition of the company by Whitbread PLC, the benefits of all eligible employees have been transferred to the Whitbread Group pension schemes, details of which can be obtained in the Whitbread group accounts.

The pension charge for the year for the company was £37,073 (1994/95: £30,911).

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1995/96	1994/95
	£	£
Interest on non bank loans	<u>498,684</u>	<u>1,898,352</u>

4. TAXATION

Group relief (payable to)/receivable from fellow subsidiary	(35,838)	311,362
Deferred tax provision written back - see footnote	3,159,884	-
	<u>3,124,046</u>	<u>311,362</u>

As a result of the acquisition of the company by the Whitbread group, the increase in the proposed level of investment means that the deferred tax liability provided in previous years will not crystallise in the foreseeable future. The provision has therefore been written back.

5. CORRESPONDING AMOUNTS

The corresponding amounts for cost of sales and administrative expenses have been restated due to a reclassification of certain costs. Under the new classification, cost of sales has been increased by £686,062 and administrative expenses decreased by the same amount.

6. INTANGIBLE FIXED ASSETS

	Hotel development costs	Brand conversion costs	Total
	£	£	£
Cost 1 May 1995	640,515	1,887,070	2,527,585
Written off to the profit and loss account	(640,515)	(1,887,070)	(2,527,585)
Cost 2 March 1996	-	-	-
Amortisation 1 May 1995	(489,000)	(1,038,735)	(1,527,735)
Charge for the period	(120,957)	(36,165)	(157,122)
Written off to the profit and loss account	609,957	1,074,900	1,684,857
Amortisation 2 March 1996	-	-	-
Net book value 2 March 1996	-	-	-
Net book value 1 May 1995	<u>151,515</u>	<u>848,335</u>	<u>999,850</u>

Intangible assets have been written off in accordance with the Whitbread group policy, see note 1.

NOTES TO THE ACCOUNTS**7. TANGIBLE FIXED ASSETS**

	Retail property	Plant and machinery	Total
	£	£	£
Cost or valuation 1 May 1995	28,253,294	3,543,331	31,796,625
Additions	16,861	65,063	81,924
Disposals	-	(121,296)	(121,296)
Revaluations	(13,579,000)	-	(13,579,000)
Reclassifications	2,083,899	(2,083,899)	-
Cost or valuation 2 March 1996	<u>16,775,054</u>	<u>1,403,199</u>	<u>18,178,253</u>
Depreciation 1 May 1995	(1,775,070)	(1,189,173)	(2,964,243)
Charge for the period	(12,039)	(230,120)	(242,159)
Disposals	-	36,003	36,003
Revaluations	1,812,000	-	1,812,000
Reclassifications	(792,633)	792,633	-
Depreciation 2 March 1996	<u>(767,742)</u>	<u>(590,657)</u>	<u>(1,358,399)</u>
Net book amounts 2 March 1996	<u>16,007,312</u>	<u>812,542</u>	<u>16,819,854</u>
Net book amounts 1 May 1995	<u>26,478,224</u>	<u>2,354,158</u>	<u>28,832,382</u>

Tangible fixed assets have been reclassified into the above categories in line with Whitbread group classifications.

The directors carried out a valuation of the Company's properties at 25 August 1995. The properties were valued at open market value for the purpose of their existing use by chartered surveyors employed by the ultimate parent company. If this and previous revaluations had not taken place the book value of fixed assets would be:

Gross amounts	28,542,054	1,403,199	29,945,253
Depreciation	(767,742)	(590,657)	(1,358,399)
Net book amounts 2 March 1996	<u>27,774,312</u>	<u>812,542</u>	<u>28,586,854</u>
Net book amounts 1 May 1995	<u>26,478,224</u>	<u>2,354,158</u>	<u>28,832,382</u>

	1996	1995
	£	£
The net book value of retail property comprises:		
Freehold	8,115,312	16,707,474
Long leasehold	7,892,000	9,770,750
	<u>16,007,312</u>	<u>26,478,224</u>

At 2 March 1996 the company had contracted capital commitments of £35,930 (1995: £10,500).

8. DEBTORS

Trade debtors	513,435	578,957
Other debtors	684	-
Deferred tax (see note 10)	3,159,884	-
Group relief receivable	-	311,362
Prepayments and accrued income	53,123	71,970
	<u>3,727,126</u>	<u>962,289</u>

The amount included above in respect of deferred tax represents losses available for future tax relief, the majority of which will be utilised after more than one year.

NOTES TO THE ACCOUNTS**9. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>1996</u>	<u>1995</u>
	£	£
Current instalments due on loan	-	17,000,000
Bank overdrafts	-	36,810
Payments on account	-	1,461
Trade creditors	313,502	141,845
Amounts due to group companies	3,453,718	2,109,898
Corporation tax	37,444	-
Other taxes and social security costs	37,081	242,713
Other creditors	-	170,647
Accruals	304,142	203,390
	<u>4,145,887</u>	<u>19,906,764</u>

The loans consisted of ten different tranches of moneys bearing interest at varying rates. Interest was charged on six of the promissory notes for £7,000,000 at the base rate plus 1.5% . Interest was charged on the remaining four promissory notes at fixed rates between 13.4% and 14.45%. During the year the loans were converted into equity.

The bank overdraft facility is secured by means of a fixed and floating charge on land and buildings which comprises one of the company's hotels. Amounts due to and from group companies have no fixed repayment date.

10. DEFERRED TAXATION

Capital allowances in advance of depreciation	-	(3,159,884)
Short term timing differences	-	9,745
Unutilised losses - see note 4	3,159,884	3,150,139
	<u>3,159,884</u>	<u>-</u>

11. CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted and fully paid</u>	
	1996	1995	1996	1995
	£	£	£	£
Ordinary shares of £1 each	<u>17,025,000</u>	<u>25,000</u>	<u>17,020,301</u>	<u>20,301</u>

During the year 17,000,000 ordinary shares of £1 each were authorised and issued for cash. The cash was used to repay the loan capital shown in note 9.

12. RESERVES

	<u>Share premium account</u>	<u>Revaluation reserve</u>	<u>Profit & loss account</u>
	£	£	£
At 1 May 1995	20,279,701	-	(9,294,980)
Profit retained	-	-	2,824,757
Revaluation	-	(11,767,000)	-
At 2 March 1996	<u>20,279,701</u>	<u>(11,767,000)</u>	<u>(6,470,223)</u>

NOTES TO THE ACCOUNTS

13. MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
	£	£
Shareholders' funds at 1 May 1995	11,005,022	13,139,611
Profit earned for ordinary shareholders	2,824,757	(2,134,589)
Temporary diminution in property values	(11,767,000)	-
Movement in share capital and share premium	17,000,000	-
Shareholders' funds at 2 March 1996	<u>19,062,779</u>	<u>11,005,022</u>

14. LEASE COMMITMENTS

At 2 March 1996, the company had annual commitments under non-cancellable operating leases as follows:

Operating leases on retail property which expire within two to five years	-	15,000
	<u>-</u>	<u>15,000</u>

15. PARENT COMPANY

The parent undertaking of the 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 Whitbread PLC's accounts can be obtained from Chiswell Street, London, EC1Y 4SD.