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

REPORT AND ACCOUNTS
Year to 1 March 1997

Registered Number 2468741

DIRECTORS
AS Risley
AC Parker
GRL Windle

SECRETARY
NJ Fenton

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 year ended 1 March 1997.

Principal activities and business review

The principal activity of the company during the year was the ownership and operation of six hotels in the United Kingdom. These six hotels trade as "Courtyard by Marriott" hotels under a franchise agreement with Marriott International.

The results for the year ended 1 March 1997 include eight months performance of Reading & Milton Keynes courtyards transferred to the company during the year. These hotels were rebranded as Courtyards in September 1996 and have since traded strongly.

All hotels have shown increases year on year for turnover and profit as a result of increases in occupancy and average room rate achieved across the estate. In particular the four hotels acquired from Scotts Hotels Ltd have shown encouraging improvments year on year.

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 £1,788,953 (ten month period to 2 March 1996 - £2,824,757). The directors do not recommend the payment of a dividend.

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	1 March 1997	3 March 1996
A S Risley	**702**	659
A C Parker	**467**	7,461
G R L Windle	**13,855**	12,599

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:-

		Options held	Options granted		Options exercised		Options held
		at 03.03.96	Number	Price	Number	Price	at 01.03.97
A S Risley	a	20,400	3,500	739.2p	4,200	451.2p	19,700
A C Parker	a	17,800	61,300	739.2p	-		79,100
	b	3,463	-		-		3,463
G R L Windle	a	36,200	3,100	739.2p	-	-	39,300
	b	3,856	590	584.2p	817	366.9p	3,629

(a) the Executive Share Option Scheme
(b) the Savings related Option Scheme

Donations

The company made charitable donations of £150 during the year.

Auditors

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

By order of the Board

Nicola J Fenton
Secretary
18 November 1997

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 on pages 6 to 12 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 financial statements on pages 6 to 12 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 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 its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Luton

18/11 1997

PROFIT AND LOSS ACCOUNT

Year ended 1 March 1997

	Notes	Year ended 1 March 1997	10 months ended 2 March 1996
		£	£
TURNOVER		**9,720,501**	5,600,402
Cost of sales		**(6,340,524)**	(3,872,794)
GROSS PROFIT		**3,379,977**	1,727,608
Administrative expenses		**(953,211)**	(1,531,531)
OPERATING PROFIT	1	**2,426,766**	196,077
Interest receivable and similar income		**-**	3,315
Interest payable and similar charges	3	**-**	(498,684)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**2,426,766**	(299,292)
Taxation	4	**(637,813)**	3,124,046
RETAINED PROFIT FOR THE PERIOD	9	**1,788,953**	2,824,754

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PROFIT EARNED FOR SHAREHOLDERS	**1,788,953**	2,824,754
Unrealised deficit on revaluation of fixed assets	**(3,898,028)**	(11,767,000)
TOTAL LOSSES RECOGNISED SINCE PREVIOUS YEAR END	**(2,109,075)**	(8,942,246)

BALANCE SHEET

1 March 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	5	**22,025,282**	16,819,854
		22,025,282	16,819,854
CURRENT ASSETS AND LIABILITIES			
Stocks		**51,535**	33,756
Debtors	6	**3,325,120**	3,727,126
Cash at bank and in hand		**10,612,788**	2,627,930
		13,989,443	6,388,812
Creditors - amounts falling due within one year	7	**(19,061,021)**	(4,145,887)
NET CURRENT ASSETS/(LIABILITIES)		**(5,071,578)**	2,242,925
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,953,704**	19,062,779
CAPITAL AND RESERVES			
Called up share capital	8	**17,020,301**	17,020,301
Share premium account	9	**20,279,701**	20,279,701
Revaluation reserve - deficit	9	**(15,665,028)**	(11,767,000)
Profit and loss account - deficit	9	**(4,681,270)**	(6,470,223)
SHAREHOLDERS' FUNDS	10	**16,953,704**	19,062,779

G. Windle

Director GRL WINDLE

18 November 1997

ACCOUNTING POLICIES

A. 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.

B. 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 trade 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.

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
Furniture and equipment	6 years
Motor vehicles	5 years

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

D. 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.

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

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

G. 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.

H. 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.

I. 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

	Year ended 1 March 1997	10 months ended 2 March 1996
Operating profit is stated after charging:	**£**	£
Auditors' remuneration - audit	-	4,290
- tax and other services	-	2,320
Depreciation (note 5)	**328,263**	242,159
Amortisation of intangible assets	-	157,122
Operating lease rentals - plant and machinery	**6,405**	-
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. The amortisation charge relates to the charge for the year up to the date of change in policy.

2. STAFF COSTS

	Year ended 1 March 1997	10 months ended 2 March 1996
	£	£
Wages and salaries	-	1,418,697
Social security costs	-	109,088
Other pension costs	-	37,073
	-	1,564,858

Staff costs during the year were incurred by Whitbread PLC and recharged to the company on an arms length basis.

	Number	Number
Average weekly number of employees:	-	216

All staff are employed by Whitbread PLC.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 1 March 1997	10 months ended 2 March 1996
	£	£
Interest on non bank loans	-	498,684

NOTES TO THE ACCOUNTS

4. TAXATION

	Year ended 1 March 1997	10 months ended 2 March 1996
	£	£
Current taxation on profits for the year		
Corporation tax at 33%	**(743,798)**	(35,838)
Adjustments to earlier periods		
Corporation tax	**105,985**	-
Deferred tax provision written back - see footnote	-	3,159,884
	(637,813)	3,159,884

As a result of the acquisition of the company by the Whitbread group during the period ended 2 March 1996, 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 was therefore written back during the period ended 2 March 1996.

The charge for the U.K. Corporation Tax has been relieved by £59,422 (1995/6 - £124,495) in respect of accelerated capital allowances for which no deferred tax has been provided.

Deferred Taxation

The potential amount of deferred taxation (at 33%) not provided in these accounts is £2,558,565 (1996 - £6,330,787). No provision has been made for any chargeable gains which might arise in the event of the property being sold at its revalued amount as this asset is required to be retained for use in business.

5. TANGIBLE FIXED ASSETS

	Retail property	Plant and machinery	Total
	£	£	£
Cost or valuation 2 March 1996	**16,775,054**	**1,403,199**	**18,178,253**
Additions	**573,492**	**555,877**	**1,129,369**
Revaluations	**(3,898,028)**	-	**(3,898,028)**
Transfers (to) / from group companies	**8,241,606**	**965,663**	**9,207,269**
Cost or valuation 1 March 1997	**21,692,124**	**2,924,739**	**24,616,863**
Depreciation 2 March 1996	**(767,742)**	**(590,657)**	**(1,358,399)**
Charge for the period	-	**(328,263)**	**(328,263)**
Transfers to / (from) group companies	-	**(904,919)**	**(904,919)**
Depreciation 1 March 1997	**(767,742)**	**(1,823,839)**	**(2,591,581)**
Net book amounts 1 March 1997	**20,924,382**	**1,100,900**	**22,025,282**
Net book amounts 2 March 1996	16,007,312	812,542	16,819,854

NOTES TO THE ACCOUNTS

5. TANGIBLE FIXED ASSETS (continued)

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:

	Retail property	Plant and machinery	Total
	£	£	£
Gross amounts	**37,357,152**	**2,924,739**	**40,281,891**
Depreciation	**(767,742)**	**(1,823,839)**	**(2,591,581)**
Net book amounts 1 March 1997	**36,589,410**	**1,100,900**	**37,690,310**
Net book amounts 2 March 1996	27,774,312	812,542	28,586,854

	1997	1996
The net book value of retail property comprises:	£	£
Freehold	**20,924,382**	8,115,312
Long leasehold	**-**	7,892,000
	20,924,382	16,007,312
Cost or valuation of properties		
As valued 1995/6	**1,993,875**	-
As valued 1994/5	**2,286,884**	-
At cost	**17,411,365**	16,775,054
	21,692,124	16,775,054

At 1 March 1997 the company had contracted capital commitments of £182,000 (1996: £35,930).

6. DEBTORS

	1997	1996
	£	£
Trade debtors	**767,148**	513,435
Other debtors	**-**	684
Amounts due to group companies	**6,751**	-
Deferred tax	**2,484,627**	3,159,884
Prepayments and accrued income	**66,594**	53,123
	3,325,120	3,727,126

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

7. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
	£	£
Trade creditors	284,201	313,502
Amounts due to group companies	18,648,041	3,453,718
Corporation tax	-	37,444
Other taxes and social security costs	98	37,081
Other creditors	9,291	-
Accruals	119,390	304,142
	19,061,021	4,145,887

8. CALLED UP SHARE CAPITAL

	Authorised		*Allotted and fully paid*	
	1997	1996	1997	1996
	£	£	£	£
Ordinary shares of £1 each	17,025,000	17,025,000	17,020,301	17,020,301

9. RESERVES

	Share premium account	Revaluation reserve	Profit & loss account
	£	£	£
At 2 March 1996	20,279,701	(11,767,000)	(6,470,223)
Profit retained	-	-	1,788,953
Revaluation	-	(3,898,028)	-
At 1 March 1997	20,279,701	(15,665,028)	(4,681,270)

10. MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
	£	£
Shareholders' funds at 2 March 1996	19,062,779	11,005,022
Profit earned for ordinary shareholders	1,788,953	2,824,757
Temporary diminution in property values	(3,898,028)	(11,767,000)
Movement in share capital and share premium	-	17,000,000
Shareholders' funds at 1 March 1997	16,953,704	19,062,779

11. LEASE COMMITMENTS

At 1 March 1997, the company had annual commitments under non-cancellable operating leases as follows:

Operating leases on retail property which expire in more than five years	600	-
	600	-

12. 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.

13. 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.