


**WHITBREAD
GUARANTEE
COMPANY TWO
LIMITED**

REPORT & ACCOUNTS

2 March 2006

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WHITBREAD GUARANTEE COMPANY TWO LIMITED

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WHITBREAD GUARANTEE COMPANY TWO LIMITED

DIRECTORS:
SC Barratt (appointed 9/3/2005)
RW Fairhurst (appointed 6/9/2005)
GRL Windle (appointed 4/5/2005, resigned 31/10/06)
CCB Rogers (appointed 31/10/06)

SECRETARY: SC Barratt (appointed 9/3/2005)

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

REGISTERED OFFICE:
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire
LU5 5XE

REGISTERED NUMBER: 05386807

WHITBREAD GUARANTEE COMPANY TWO LIMITED

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the period ended 2 March 2006.

Principal activity and review of business development

Whitbread Guarantee Company Two Limited was incorporated on 9 March 2005. It owns 26% of the Whitbread Group's investment in the Condor Overseas Holding joint venture.

Whitbread Guarantee Company Two Limited is a company limited by guarantee. Every member of the company undertakes to contribute such amount as may be required (not exceeding £100) to the company's assets if it should be wound up while he is a member or within one year after he ceases to be a member, for payment of the company's debts and liabilities contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for adjustment of the rights of the contributories among themselves.

Results and dividends

The company did not trade in the year. However, the company made a profit for the year of £20.9m. This has arisen as a result of the Company's disposal of its investment in Wentworth 1 Limited (see note 2) and the impairment of the Company's investment in Condor (see note 4) net of tax. No dividend has been declared.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the accounts.

Post balance sheet events

On 21 April 2006 Whitbread PLC announced the completion of the Marriott sale process, with the hotel assets held by a joint venture being acquired by the Royal Bank of Scotland. As a result of this transaction the carrying value of the joint venture assets held for sale in the 2005/06 accounts has been adjusted (see note 4).

On 30 April 2006 Whitbread Guarantee Company Two Limited sold its investment in Condor to RBS for £83.5m. Whitbread Guarantee Company Two Limited retained its investment in the Wentworth 1 group via a dividend in specie from Condor 1 prior to its disposal. The shares in the Wentworth 1 group were reinvested in Condor 2 which was a joint venture with Marriott. Condor 2 became a wholly owned subsidiary of Whitbread PLC on 8 May 2006 when Marriott's shares were redeemed.

Supplier payment policy

Since purchases of goods and services are dealt with through the parent undertaking, Whitbread Group 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 specifically been 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 dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis.

Employment of disabled persons

The company's policy is that, wherever it is practicable and reasonable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion. Every effort is made to retain and assist any individuals disabled during their employment. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Employee involvement

The board recognises the importance of employees being fully informed of events which directly affect them and their working conditions and to this end regular meetings are held with them. The involvement of employees in the success of the business is further encouraged through participation in the employee share option scheme of the ultimate parent undertaking.

WHITBREAD GUARANTEE COMPANY TWO LIMITED

DIRECTORS' REPORT

Directors

The Directors of the company for the period ended 2 March 2006 and up to the date of this report are listed on page 1. SC Barratt was appointed as a director on 9 March 2005, RW Fairhurst was appointed a director on 6 September 2005, GRL Windle was appointed a director on 4 May 2005 and CCB Rogers was appointed as a director on 31 October 2006. GRL Windle resigned as a director on 31 October 2006.

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, disclosed in the accounts of Whitbread PLC as follows:

Interests in Whitbread PLC shares for dates prior to 16 May 2005 related to Ordinary Shares of 50p each. On 16 May 2005 there was a share consolidation in which shareholders received six new shares for every seven shares held. Consequently all interests in shares for dates from 16 May 2005 onwards relate to Ordinary Shares of 58 1/3p each. Although options were not restated as a result of the share consolidation, options over Ordinary Shares of 50p each prior to 16 May 2005 were replaced with options over Ordinary Shares of 58 1/3p each on 16 May 2005.

Ordinary shares		<u>2 March 2006</u>	<u>9 March 2005 *</u>
SC Barratt		2,640	3,022
RW Fairhurst		63	63
GRL Windle		17,197	15,287

Deferred Shares	9 March 2005*	Awarded During the Year	2 March 2006
SC Barratt	5,328	6,647	11,975
RW Fairhurst	5,264	-	5,264
GRL Windle	2,843	-	2,843

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</u> <u>at 9.3.05*</u>	<u>Options granted</u> <u>Number</u>	<u>Price (p)</u>	<u>Options exercised/lapsed</u> <u>Number</u>	<u>Price (p)</u>	<u>Options held</u> <u>at 2.3.06</u>
SC Barratt	a	146,200	-	-	-	-	146,200
	b	-	-	-	-	-	-
RW Fairhurst	a	97,100	-	-	-	-	97,100
	b	1,510	-	-	-	-	1,510
GRL Windle	a	83,100	-	-	20,000	661	62,300
	a	-	-	-	800	779	62,300
	b	4,012	1,703	756	3,268	413	2,447

(a) the Executive Share Option Scheme

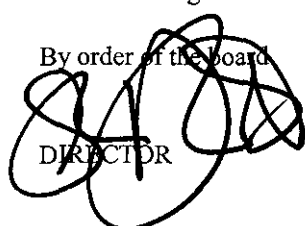
(b) the Savings Related Share Option Scheme

* or at date of appointment

Auditors

Ernst & Young LLP were appointed as auditors of the company on 17 November 2006.

By order of the board


DIRECTOR

21 FEB 2006

WHITBREAD GUARANTEE COMPANY TWO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 for members the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts 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 accounts on pages 6 to 11 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 accounts 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 accounts 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.

WHITBREAD GUARANTEE COMPANY TWO LIMITED

INDEPENDENT AUDITORS' REPORT

to the member of Whitbread Guarantee Company Two Limited

We have audited the company's financial statements for the year ended 2 March 2006 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements 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 financial statements, 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 other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements and the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 2 March 2006 and of its profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor

Luton

2006

2 December 2006

WHITBREAD GUARANTEE COMPANY TWO LIMITED

PROFIT AND LOSS ACCOUNT

Period ended 2 March 2006

	<u>Notes</u>	<u>2006</u>
		£
TURNOVER		-
Cost of sales		-
GROSS PROFIT		-
Administrative expenses		-
OPERATING PROFIT		-
Profit on the disposal of an associate	2	40,498,837
Impairment	4	(19,552,000)
PROFIT BEFORE TAX		20,946,837
Tax	3	-
RETAINED PROFIT FOR THE PERIOD	6	<u>20,946,837</u>

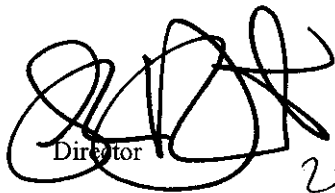
There we no recognised gains or losses other than those in the profit and loss account.

WHITBREAD GUARANTEE COMPANY TWO LIMITED

BALANCE SHEET

At 2 March 2006

	Notes	2006 £
FIXED ASSETS		
Investment in associate	4	<u>54,626,000</u>
CREDITORS - amounts falling due within one year	5	<u>(33,679,163)</u>
NET CURRENT LIABILITIES		<u>(33,679,163)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,946,837
TOTAL ASSETS LESS LIABILITIES		<u><u>20,946,837</u></u>
RESERVES		
Profit and loss account	6	<u>20,946,837</u>
MEMBER'S FUNDS	7	<u><u>20,946,837</u></u>


Director

21 DECEMBER

2006

WHITBREAD GUARANTEE COMPANY TWO LIMITED

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.

Associate companies

The company carries its investments in associates at cost less accumulated impairment losses.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred tax is not recognised when an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred taxation are not discounted. Deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Cash flow

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 undertaking whose consolidated accounts are publicly available.

WHITBREAD GUARANTEE COMPANY TWO LIMITED

NOTES TO THE ACCOUNTS

1. PROFIT & LOSS ACCOUNT DETAILS

All audit fees and directors remuneration have been borne by the parent company.

2. DISPOSALS

	<u>2006</u>
	£
Carrying value of shares	43,030,000
Net proceeds	<u>83,528,837</u>
Profit on disposal	<u>40,498,837</u>

The disposal detailed above relates to the sale of the company's 26% holding in Wentworth 1 Limited. Wentworth 1 Limited was sold to Condor Overseas Holdings Limited on 5 May 2005.

3. TAX

	<u>2006</u>
	£
Current tax on profits for the year	
U.K. Corporation Tax	-
Total current tax	<u>-</u>
Total tax charge	<u>-</u>
Factors affecting the tax charge for the year	
Profit before tax	<u>20,946,837</u>
Tax at current UK Corporation tax rate of 30%	6,284,051
Effect of:	
Profit on sale of investment in associate	(12,149,651)
Impairment of investment in associate	<u>5,865,600</u>
	<u>-</u>

4. INVESTMENT IN ASSOCIATE

	<u>2006</u>
	£
Shares at cost	
3 March 2005	-
Additions	117,208,000
Disposals	(43,030,000)
Impairment (see note 10)	<u>(19,552,000)</u>
2 March 2006	<u>54,626,000</u>

Principal associates	Principal activity	Country of incorporation	% equity interest
Condor Overseas Holdings Limited	Hotels	British Virgin Islands	13

WHITBREAD GUARANTEE COMPANY TWO LIMITED

NOTES TO THE ACCOUNTS

5. CREDITORS - amounts falling due within one year

	<u>2006</u>
	<u>£</u>
Trade creditors	-
Bank overdraft	-
Amounts owed to Whitbread group undertakings	33,679,163
Corporation tax	-
Other creditors	-
Accruals and deferred income	-
	<u>33,679,163</u>

6. RESERVES

	<u>Profit & loss account</u>
	<u>£</u>
9 March 2005	-
Profit retained	20,946,837
2 March 2006	<u>20,946,837</u>

7. MOVEMENT IN MEMBERS' FUNDS

	<u>2006</u>
	<u>£</u>
Members' funds at 9 March 2005	-
Profit earned for ordinary shareholders	20,946,837
Members' funds at 2 March 2006	<u>20,946,837</u>

8. RELATED PARTIES

There were no related party transactions other than those with other Whitbread group companies which are exempt from disclosure under Financial Reporting Standard No. 8.

9. 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 its accounts can be obtained from Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE.

The parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Whitbread Group PLC, registered in England and Wales. Copies of its accounts can be obtained from Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE.

WHITBREAD GUARANTEE COMPANY TWO LIMITED

NOTES TO THE ACCOUNTS

10. GUARANTEE

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11. POST BALANCE SHEET EVENTS

On 21 April 2006 Whitbread PLC announced the completion of the Marriott sale process, with the hotel assets held by a joint venture being acquired by the Royal Bank of Scotland. As a result of this transaction the carrying value of the joint venture assets held for sale in the 2005/06 accounts has been adjusted (see note 4).

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