

Registered number 05386807

**WHITBREAD
GUARANTEE
COMPANY TWO
LIMITED**

REPORT & ACCOUNTS

1 March 2007

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COMPANIES HOUSE

WHITBREAD GUARANTEE COMPANY TWO LIMITED

DIRECTORS: SC Barratt
CCB Rogers

SECRETARY: SC Barratt

AUDITOR: 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 year ended 1 March 2007

Principal activity and review of business development

Whitbread Guarantee Company Two Limited was incorporated on 9 March 2005. During the year the group, of which Whitbread Guarantee Company Two Limited is a part, was restructured. As part of this restructure the company received a dividend in specie from Condor Overseas Holdings Ltd of shares in Wentworth No 1 Limited. The company gave the shares, together with cash of £5.3m, as consideration for a 13% holding in the shares of Condor Overseas Holdings Two Limited. The proportion of the share capital of Condor Overseas Holdings Two Limited owned by the company increased to 26% following the redemption by Condor Overseas Holdings Two Limited of part of its share capital. Following the acquisition of its shareholding in Condor Overseas Holdings Two Limited, the company disposed of its investment of a holding of 13% in the shares of Condor Overseas Holdings Limited.

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 loss before tax for the year was £538,442 (2006 profit £20,946,837). The prior year profit arose as a result of the Company's disposal of its investment in Wentworth No 1 Limited (see note 3) and the impairment of the Company's investment in Condor (see note 5) 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.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Whitbread PLC, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Directors

The details of directors who served during the period are as follows:

SC Barratt
CCB Rogers
GRL Windle *resigned 31 October 2006*

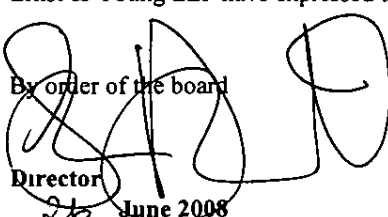
Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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

By order of the board

Director
26 June 2008

WHITBREAD GUARANTEE COMPANY TWO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for the period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 1 March 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and losses, the Balance Sheet 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, as a body, 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 Annual report and 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 information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

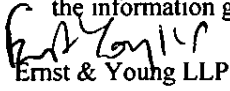
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 1 March 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP
Registered Auditor
Luton
2008



WHITBREAD GUARANTEE COMPANY TWO LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 1 March 2007

	Notes	<u>2007</u>	<u>2006</u>
		£	£
Administrative expenses		<u>21,449</u>	-
OPERATING PROFIT		21,449	-
Profit on the disposal of an associate	3	-	40,498,837
Impairment	5	-	<u>(19,552,000)</u>
PROFIT BEFORE INTEREST AND TAX		21,449	20,946,837
Interest		<u>(559,891)</u>	-
(LOSS)/PROFIT BEFORE TAX		(538,442)	20,946,837
Tax	4	<u>161,532</u>	-
RETAINED (LOSS)/PROFIT FOR THE PERIOD	8	<u>(376,910)</u>	<u>20,946,837</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 1 March 2007

	<u>2007</u>	<u>2006</u>
	£	£
PROFIT/(LOSS) EARNED FOR SHAREHOLDERS	(376,910)	20,946,837
Dividend received	53,528,138	-
TOTAL (LOSSES)/PROFITS RECOGNISED SINCE PREVIOUS YEAR END	<u>53,151,228</u>	<u>20,946,837</u>

WHITBREAD GUARANTEE COMPANY TWO LIMITED

BALANCE SHEET

At 1 March 2007

	Notes	<u>2007</u> £	<u>2006</u> £
FIXED ASSETS			
Investment in associate	5	<u>58,864,000</u>	<u>54,626,000</u>
		<u>58,864,000</u>	<u>54,626,000</u>
Debtors - amounts falling due within one year	6	<u>15,234,065</u>	-
CREDITORS - amounts falling due within one year	7	<u>-</u>	<u>(33,679,163)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>15,234,065</u>	<u>(33,679,163)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>74,098,065</u>	<u>20,946,837</u>
TOTAL ASSETS LESS LIABILITIES		<u><u>74,098,065</u></u>	<u><u>20,946,837</u></u>
RESERVES			
Profit and loss account	8	<u>74,098,065</u>	<u>20,946,837</u>
MEMBER'S FUNDS	8	<u><u>74,098,065</u></u>	<u><u>20,946,837</u></u>

Director

26 June 2008

WHITBREAD GUARANTEE COMPANY TWO LIMITED

NOTES TO THE ACCOUNTS

1. 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

Group accounts

As permitted by s228 of the Companies Act 1985, group accounts have not been prepared as the company is a wholly-owned subsidiary of a European Community parent

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 cash flow has not been prepared as the company is a wholly owned subsidiary of a European Community parent undertaking whose consolidated accounts are publicly available

2. PROFIT & LOSS ACCOUNT DETAILS

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

3. DISPOSALS

	2007 £	2006 £
Carrying value of shares	54,626,000	43,030,000
Net proceeds	54,626,000	83,528,837
Profit on disposal	-	40,498,837

The disposal detailed above relates to the sale of the company's 13% holding in Condor Overseas Holdings Limited in May 2006. The disposal in May 2005 was the disposal of Wentworth 1 Limited to Condor Overseas Holdings Limited.

4. TAX

	2007 £	2006 £
Current tax on profits for the year		
U K Corporation Tax	161,532	-
Total current tax	161,532	-
Total tax charge	161,532	-
Factors affecting the tax charge for the year		
(Loss)/profit before tax	(538,442)	20,946,837
Tax at current UK Corporation tax rate of 30%	(161,533)	6,284,051
Effect of		
Profit on sale of investment in associate	-	(12,149,651)
Impairment of investment in associate	-	5,865,600
	(161,533)	-

WHITBREAD GUARANTEE COMPANY TWO LIMITED

NOTES TO THE ACCOUNTS

5 INVESTMENT IN ASSOCIATE

	2007	2006
	£	£
Shares at cost		
2 March 2006	54,626,000	-
Additions	58,864,000	117,208,000
Disposals	(54,626,000)	(43,030,000)
Impairment	-	(19,552,000)
1 March 2007	<u>58,864,000</u>	<u>54,626,000</u>

During the year the group, of which Whitbread Guarantee Company Two Limited is a part, was restructured. As a part of this restructure, the company received a dividend in specie from Condor Overseas Holdings Ltd of shares in Wentworth No 1 Limited. The company gave the shares, together with cash of £5.3m, as consideration for a 13% holding in the shares of Condor Overseas Holdings Two Limited. The proportion of the share capital of Condor Overseas Holdings Two Limited owned by the company increased to 26% following the redemption by Condor Overseas Holdings Two Limited of part of its share capital. Following the acquisition of its shareholding in Condor Overseas Holdings Two Limited, the company disposed of its investment of a holding of 13% in the shares of Condor Overseas Holdings Limited.

Principal associates	Principal activity	Country of incorporation	% equity interest	
			2007	2006
Condor Overseas Holdings Limited	Hotels	British Virgin Islands	-	13
Condor Overseas Holdings Two Limited	Hotels	British Virgin Islands	26	-

6. DEBTORS - amounts falling due within one year

	2007	2006
	£	£
Corporation tax	161,533	-
Amounts due from Whitbread group undertakings	15,072,532	-
	<u>15,234,065</u>	<u>-</u>

7. CREDITORS - amounts falling due within one year

	2007	2006
	£	£
Amounts due to Whitbread group undertakings	-	33,679,163

8. RESERVES

	Profit & loss account
	£
2 March 2006	20,946,837
Dividend received	53,528,138
Loss retained	(376,910)
1 March 2007	<u>74,098,065</u>

The dividend received is a dividend in specie from Condor Overseas Holdings Limited for shares in Wentworth No 1 Limited and is non-distributable as an equity dividend.

9. 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.

WHITBREAD GUARANTEE COMPANY TWO LIMITED

NOTES TO THE ACCOUNTS

10. 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

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11. GUARANTEE

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.