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Wentworth No.3 Limited

Directors' report and financial statements

for the period 24 February 2005 to 31 December 2005

Wentworth No.3 Limited

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Wentworth No.3 Limited

Directors' report
for the period 24 February 2005 to 31 December 2005

The directors present their annual report and the financial statements of the company for the period ended 31 December 2005.

Incorporation
The company was incorporated in the British Virgin Islands, as an International Business Company on 24 February 2005.

Principal activities
The principal activity of the company is to hold investments in its subsidiary undertakings. The subsidiary undertakings own a number of operating hotels.

Review of business and future developments
During the period the company acquired a number of subsidiary undertakings from companies related to Whitbread Group PLC, the company's former ultimate parent undertaking. The principal activity of those subsidiary undertakings was the ownership and operation of hotels in the United Kingdom. The hotels were operating under a management agreement with Marriott International.

On 5 May 2005 Whitbread Group PLC sold its franchised Marriott hotels to Condor Overseas Holdings Limited, a joint venture with Marriott UK Acquisition Company Limited. The company formed part of the disposal transaction and was sold to this joint venture. On this same date, the company took out a bank loan of £620 million to settle amounts due by its acquired subsidiary undertakings to Whitbread Group PLC.

The directors do no expect the principal activity of the company to change in the foreseeable future.

Post balance sheet events
Subsequent to the period end, Condor Overseas Holdings Limited and its hotel trading subsidiaries were sold. Following the disposal the company is now a subsidiary undertaking within the group of Whitbread Group PLC.

Immediately after completion of the sale of Condor Overseas Holdings Limited and its hotel trading subsidiaries, part of the proceeds was used to settle in full the bank loan of £620 million held by the company and accrued interest thereon. Consequently, the loan has been disclosed as due within one year.

Results and dividends
The profit and loss account for the period is set out on page 3.

The directors do not recommend the payment of a dividend for the period.

On 19 April 2006, the company received dividends in specie from Swift Hotels Limited and Silk Street Hotels Limited, two of its subsidiaries undertakings, totalling £45,000,000 of amounts owed by group undertakings. On this same date, the company declared a dividend on its ordinary shares which was satisfied by a distribution of the £45,000,000 of amounts owed by group undertakings.

Consolidation
The company does not prepare consolidated financial statements. Consolidated group financial statements are drawn up by the company's penultimate parent undertaking, Wentworth No. 1 Limited. The consolidated financial statements of Wentworth No. 1 Limited are publicly available. As

a result, these accounts present information relating to the company as an individual undertaking and do not contain consolidated financial information as the parent of a group.

Charitable donations

The company did not make any charitable donations during the period.

Directors and their interests

The directors who held office during the period and up to the date of this report were as follows:

S Barratt	(appointed 24 February 2005)
G Windle	(appointed 27 April 2005)
A Jones	(appointed 4 May 2005, resigned 8 May 2006)
A Coughtrie	(appointed 4 May 2005, resigned 8 May 2006)
D Richardson	(appointed 24 February 2005, resigned 27 April 2005)

None of the directors or their families had any interest in the share capital of the company or any other company in the group.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related financial costs.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets relate to cash balances, all of which earn interest at variable rates. The company has managed interest rate risk on its variable rate borrowings using a capped interest rate hedge. Under the terms of the agreement interest rates are capped at 6.25% per annum.

Statement of directors' responsibilities

Section 66(1) of the International Business Companies Act, cap. 291 of the British Virgin Islands requires the company to keep such accounts and records as the directors consider necessary and desirable in order to reflect the financial position of the company. In preparing these financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.

By order of the Board

G. Wille

G Windle
Director

30/10/ 2006

Wentworth No.3 Limited

Profit and loss account
for the period 24 February 2005 to 31 December 2005

	Note	24 February to 31 December 2005 £'000
Administrative expenses excluding exceptional items		(12)
Exceptional items	2	(15,845)
Administrative expenses including exceptional items		(15,857)
Operating loss		**(15,857)**
Interest receivable and similar income	3	**634**
Interest payable and similar charges	4	**(29,991)**
Loss on ordinary activities before taxation		**(45,214)**
Tax on loss on ordinary activities	5	-
Retained loss for the financial period	11	**(45,214)**

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those above and therefore no separate statement of total recognised gains and losses has been presented.

All activities relate to continuing operations.

Wentworth No.3 Limited

Balance sheet at 31 December 2005

	Note	2005
		£'000
Fixed assets		
Investments	6	**841,282**
Current assets		
Debtors	7	**35,206**
Cash at bank and in hand		**38,746**
		73,952
Creditors - amounts falling due within one year	8	**(795,148)**
Net current liabilities		**(721,196)**
Total assets less current liabilities and net assets		**120,086**
Capital and reserves		
Called up share capital	9	**300**
Share premium account	10	**165,000**
Profit and loss account	11	**(45,214)**
Total equity shareholder's funds	12	**120,086**

The financial statements on pages 3 to 12 were approved by the board of directors on 30/10/2006 and were signed on its behalf by:

G. Windle

G Windle
Director

Accounting policies

Basis of preparation
The financial statements have been prepared on the going concern basis and under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

The company does not prepare consolidated financial statements. Consolidated group financial statements are drawn up by the company's penultimate parent undertaking, Wentworth No. 1 Limited. The consolidated financial statements of Wentworth No. 1 Limited are publicly available. As a result, these accounts present information relating to the company as an individual undertaking and do not contain consolidated financial information as the parent of a group.

Financial instruments
The company has entered into an interest rate cap agreement to hedge its exposure to fluctuations in interest rates. Interest payments and receipts are recognised on an accruals basis over the life of the agreement. Interest payable and receivable under the agreement are offset and taken through the profit and loss account. Assets and liabilities arising as a result of the agreement are offset in the balance sheet.

Deferred taxation
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 tax are not discounted. Deferred tax assets and liabilities are calculated using tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Investments
Investments held within fixed assets are stated at cost less provision for permanent diminution in value.

Debt
Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in that period. Finance costs are charged to the profit and loss account over the term of the borrowings to give a constant return on the carrying amount of the debt.

Foreign currencies
Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Cash flow statement and related party disclosures
The company's results are included within the consolidated financial statements of Wentworth No. 1 Limited, the company's penultimate parent undertaking. The consolidated financial statements of Wentworth No. 1 Limited are publicly available, consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1. The company is also exempt under FRS8 from disclosing related party transactions with entities that are part of the Wentworth No. 1 Limited group.

Notes to the financial statements for the 24 February 2005 to 31 December 2005

1 Staff numbers and costs

The company had no employees and incurred no wages or salary costs during the period.

The directors did not receive or waive any remuneration from the company, or any of its subsidiary undertakings.

2 Exceptional items

	24 February to 31 December 2005 £'000
Provisions against investments in subsidiary undertakings (note 6)	15,845

3 Interest receivable and similar income

	24 February to 31 December 2005 £'000
On bank balances	634

4 Interest payable and similar charges

	24 February to 31 December 2005 £'000
On bank loans and overdrafts	22,017
On balances with related parties (note 14)	3,103
Issue costs of bank loan (note 8)	4,871
	29,991

As detailed in the Directors' report on page 1, since the period end, the ultimate parent undertaking and its hotel trading subsidiaries were sold. Immediately after completion of the sale, part of the proceeds was used to settle the bank loan of £620,000,000 in full. Therefore, the issue costs of the bank loan have been written off in full in the period to 31 December 2005.

5 Tax on loss on ordinary activities

	24 February to 31 December 2005 £'000
Current tax:	
- United Kingdom corporation tax at 30%	-
Tax on loss on ordinary activities	-

Factors affecting the tax charge for the current period
The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

Current tax reconciliation	24 February to 31 December 2005 £'000
Loss on ordinary activities before tax	(45,214)
Loss on ordinary activities multiplied by standard rate in the UK of 30%	(13,564)
Effects of:	
Expenses not deductible for tax purposes	4,754
Group relief surrendered	8,810
Total current tax charge	-

6 Investments

Shares in subsidiary undertakings	£'000
Cost	
Additions	857,127
At 31 December 2005	**857,127**
Provisions	
Amounts provided for during the period	(15,845)
At 31 December 2005	**(15,845)**
Net book value	
At 31 December 2005	**841,282**

A list of the principal subsidiary undertakings is provided in note 17.

The company acquired all of its subsidiary undertakings during the period for total cash consideration of £857,127,000.

7 Debtors

	2005 £'000
Amounts owed by group undertakings	34,890
Prepayments and accrued income	316
	35,206

Amounts owed by group and related undertakings are unsecured, interest-free and have no fixed repayment date.

8 Creditors – amounts falling due within one year

	2005 £'000
Bank loans	620,000
Amounts owed to group undertakings	79,623
Amounts owed to related undertakings (note 14)	85,389
Other tax and social security payable	7,603
Accruals and deferred income	2,533
	795,148

Amounts owed to group and related undertakings are unsecured, interest-free and have no fixed repayment date.

The gross bank loan of £620,000,000 is secured by a fixed charge over hotels held by the company's subsidiary undertakings (with a book value at 31 December 2005 of £923,084,000), by a fixed charge over the investments in subsidiary companies and also by a floating charge over the shares and present and future assets of the company, its ultimate, immediate and intermediate parent undertakings and its subsidiary undertakings. Interest is charged at LIBOR plus a margin between 0.5% and 0.7%, plus mandatory costs. During the period to 31 December 2005 the margin and mandatory costs were 0.6% and 0.01% respectively.

As detailed in the Directors' report on page 1, since the period end the ultimate parent undertaking and its hotel trading subsidiaries were sold. Immediately after the completion of the sale, part of the proceeds were used to settle the bank loan of £620,000,000 in full. The bank loan has therefore been classified as falling due within one year.

In June 2005, the company entered into an interest rate cap for a principal amount of £330,000,000 maturing in June 2007. Under the terms of the cap, interest is received and paid at LIBOR. Payments are subject to an interest rate cap of 6.25% per annum.

Total issue costs of £4,871,000 together with the interest expense, have been charged to the profit and loss account in the period.

9 Share capital

	2005 £'000
Authorised	
1,000,000 ordinary shares of £1 each	1,000
Allotted, called up and fully paid	
300,100 ordinary shares of £1 each	300

250,000 £1 ordinary shares were issued for cash at par upon incorporation.

Further shares were issued during the period to provide additional working capital. 50,000 £1 ordinary shares were issued for cash at par on 27 April 2005 and 100 £1 ordinary shares were issued on 4 May 2005 for cash consideration of £165,000,000.

10 Share premium account

	£'000
Premium on shares issued during the period (note 9)	165,000
At 31 December 2005	**165,000**

11 Profit and loss reserve

	£'000
Retained loss for the period	(45,214)
At 31 December 2005	**(45,214)**

12 Reconciliation of movement in shareholder's funds

	24 February to 31 December 2005
	£'000
Loss for the period	(45,214)
Proceeds of ordinary shares issued at par upon incorporation (note 9)	250
Proceeds of ordinary shares issued during the period (note 9)	165,050
Net change in shareholder's funds and closing shareholder's funds	**120,086**

13 Contingent liabilities

The company, its ultimate, immediate and intermediate parent undertakings and certain of its subsidiary undertakings have provided guarantees in respect of the bank loan (note 8). The guarantees relate to the full payments due, and the punctual performance of all of the company's obligations under the terms of the loan.

There is a charge in connection with the above bank loan against the shares in subsidiary undertakings in favour of Barclays Bank PLC as security trustee.

14 Related party transactions

The company is exempt under FRS8 from disclosing related party transactions with entities that are part of the Wentworth No. 1 Limited group.

Whitbread Group PLC, one of the company's ultimate joint controlling parties, has acted as the treasury function to the company and its subsidiary undertakings during the period, processing cash payments and receipts. The net funding balance owed by the company at 31 December 2005 was £85,389,000. Interest of £3,103,000 was charged to the company on these balances in the period to 5 May 2005. Post 5 May 2005 balances with Whitbread Group PLC were interest-free.

15 Post balance sheet events

Subsequent to the period end Condor Overseas Holdings Limited and is hotel trading subsidiaries were sold. Following this disposal the company is now a subsidiary undertaking within the group of Whitbread Group PLC.

Immediately after completion of the sale of Condor Overseas Holdings Limited and its hotel trading subsidiaries, part of the proceeds was used to settle in full the bank loan of £620 million held by the company and accrued interest thereon. Consequently, the loan has been disclosed as due within one year.

On 19 April 2006, the company received dividends in specie from Swift Hotels Limited and Silk Street Hotels Limited, two of its subsidiaries undertakings, totalling £45,000,000 of amounts owed by group undertakings. On this same date, the company declared a dividend on its ordinary shares which was satisfied by a distribution of the £45,000,000 of amounts owed by group undertakings.

16 Parent undertakings

At 31 December 2005 the immediate parent undertaking is Wentworth No.2 Limited.

At 31 December 2005 the penultimate parent undertaking is Wentworth No. 1 Limited, a company incorporated in the British Virgin Islands, which is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the Wentworth No.1 Limited consolidated financial statements can be obtained from the Company Secretary at Whitbread Group PLC, Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire, LU5 5XE.

At 31 December 2005 the ultimate parent undertaking and controlling party is Condor Overseas Holdings Limited, which is the parent undertaking of the largest group to consolidate these financial statements. Condor Overseas Holdings Limited is a joint venture between Whitbread Group PLC and Marriott UK Acquisition Company Limited. These are joint ultimate controlling parties.

As explained in note 15, subsequent to the period end, the ultimate parent undertaking and controlling party of the company is Whitbread Group PLC.

17 Principal subsidiary undertakings

The company owns 100% of the ordinary share capital of 46 hotel operating companies, Wentworth PropCo 1 Limited to Wentworth PropCo 46 Limited inclusively. These 46 companies are all hotel operating companies incorporated in the British Virgin Islands.

The other principal wholly owned subsidiary undertakings held by the company are listed below.

Entity	Country of incorporation	Nature of business	Class of shares wholly owned
Wentworth No. 4 Limited	British Virgin Islands	Holding company and hotel operations	Ordinary
Swift Hotels Limited	England and Wales	Hotel operations	Ordinary
Silk Street Hotels Limited	England and Wales	Hotel operations	Ordinary
Old TIL Limited	England and Wales	Hotel operations	Ordinary
Whitbread Guarantee Company Limited	England and Wales	Hotel operations	Ordinary