

**SQUARE
OCTOBER 1
LIMITED**

REPORT & ACCOUNTS

2 March 2006

Registered number 05253238



SQUARE OCTOBER 1 LIMITED

DIRECTORS:
S P Lambert (resigned 5 May 2005)
G R L Windle (resigned 31 October 2006)
S Broughton (resigned 31 October 2006)
S C Barratt (appointed 31 October 2006)
C C B Rogers (appointed 31 October 2006)

SECRETARY: R W Fairhurst

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: 05253238

DIRECTORS' REPORT

Accounts

The Directors submit to the shareholders their report and accounts for the year ending the 2 March 2006.

Principal activity and review of business development

The company took over the business of operating nine Courtyard Marriott hotels on 26 October 2004 from Swift Hotels Limited. This business was sold in December 2004 and the company has not traded since that time. It is not expected that the company will resume trading in the foreseeable future.

Results and dividends

During the year the company made a profit of £49,629, (2005: £2,812,977). The directors do not propose the payment of a dividend.

Directors

The Directors of the company during the year and up to the date of this report 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 under the Whitbread PLC Share Ownership Scheme are 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>3 March 2005</u>
G R L Windle		17,197	15,276

Deferred Shares

	3 March 2005	Awarded During the Year	2 March 2006
G R L 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:-

	Options held at 3.3.05	Options granted		Options exercised/lapsed		Options held at 2.3.06
		Number	Price (p)	Number	Price (p)	
G R L Windle	a 83,100	-	-	20,000	661.4	
	a -	-	-	800	778.5	62,300
	b 4,012	1,703	756.0	3,268	413.0	2,447
S Broughton	b 1,510	-	-	-	-	1,510

(a) the Executive Share Option Scheme

(b) the Savings Related Share Option Scheme

None of the directors hold any shares in the company itself.

Auditors

Ernst & Young LLP have been appointed as auditors of the company.

By order of the board



Director

15 DECEMBER 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN
RELATION TO THE FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 4, is made with a view to distinguishing for shareholders 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 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 5 to 8 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 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.

INDEPENDENT AUDITORS' REPORT

to the members of Square October 1 Limited

We have audited the company's financial statements for the period ended 2 March 2006 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and related notes 1 to 12. 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 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 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 2 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

Luton

21 December 2006

2006

PROFIT AND LOSS ACCOUNT**Year ended 2 March 2006**

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		<u>£</u>	<u>£</u>
TURNOVER		-	2,465,788
Cost of sales		-	(1,273,169)
GROSS PROFIT		-	1,192,619
Distribution costs		-	(1,077,296)
Administrative expenses		<u>1,785</u>	<u>(97,936)</u>
OPERATING PROFIT	2	<u>1,785</u>	<u>17,387</u>
Non -operating exceptional items	3	-	2,800,806
Interest receivable	4	69,113	-
PROFIT BEFORE TAXATION		70,898	2,818,193
Taxation	5	<u>(21,269)</u>	<u>(5,216)</u>
RETAINED PROFIT FOR THE YEAR	9	<u><u>49,629</u></u>	<u><u>2,812,977</u></u>

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

SQUARE OCTOBER 1 LIMITED

BALANCE SHEET

2 March 2006

	Notes	<u>2,006</u>	<u>2,005</u>
		£	£
CURRENT ASSETS			
Debtors	6	2,883,876	2,886,516
CREDITORS - amounts falling due within one year	7	<u>(21,269)</u>	<u>(73,538)</u>
NET CURRENT LIABILITIES		<u>2,862,607</u>	<u>2,812,978</u>
 TOTAL ASSETS LESS LIABILITIES		 <u><u>2,862,607</u></u>	 <u><u>2,812,978</u></u>
 CAPITAL AND RESERVES			
Called up share capital	8	1	1
Profit and loss account	9	<u>2,862,606</u>	<u>2,812,977</u>
SHAREHOLDERS' FUNDS	10	<u><u>2,862,607</u></u>	<u><u>2,812,978</u></u>



Director

15 DECEMBER 2006

ACCOUNTING POLICIES**Accounting convention**

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

Cash flow statement

As permitted by Financial Reporting Standard No.1 (revised) a cash flow statement has not been prepared as the company is a wholly owned subsidiary of a European Community parent.

Deferred taxation

Deferred taxation is provided, without discounting, on all timing differences which have originated but not reversed at the balance sheet date except for those which should not be recognised under FRS 19, calculated at the enacted rates at which it is estimated that tax will be payable. Deferred taxation assets are only recognised to the extent that it is more likely than not that they will be recovered.

Turnover

Turnover is the value of goods and services sold to third parties as part of the company's ordinary activities after deducting trade discounts and value added tax.

NOTES TO THE ACCOUNTS**1. TURNOVER**

	<u>2006</u>	<u>2005</u>
	£	£
Sales	-	<u>2,465,788</u>

The turnover of the company for the period is attributable to the single activity of the provision of accommodation, food and beverages in the United Kingdom

2. OPERATING PROFIT

The auditor remuneration for this statutory entity is borne by a fellow group company.

3. EXCEPTIONAL ITEMS

	<u>2006</u>	<u>2005</u>
	£	£
Non - operating items		
Disposal proceeds	-	3,550,006
Disposal costs	-	(749,200)
Profit from the disposal of the company's business.	<u>-</u>	<u>2,800,806</u>

4. INTEREST

	<u>2006</u>	<u>2005</u>
	£	£
Intercompany interest receivable	<u>69,113</u>	<u>-</u>

5. TAXATION

	<u>2006</u>	<u>2005</u>
	£	£
Current taxation on profits for the year		
U.K. Corporation Tax	<u>21,269</u>	<u>5,216</u>
Total taxation charge	<u>21,269</u>	<u>5,216</u>

Factors affecting the taxation charge for the year

	<u>2006</u>	<u>2005</u>
	£	£
Profit before tax	<u>70,898</u>	<u>2,818,193</u>
Tax at current UK Corporation tax rate of 30%	<u>21,269</u>	<u>845,458</u>
Effect of:-		
Capital gains offset by rollover relief	-	(840,242)
Current tax charge for the period	<u>21,269</u>	<u>5,216</u>

NOTES TO THE ACCOUNTS**6. DEBTORS**

	2006	2005
	£	£
Amounts due from Whitbread group undertakings	2,883,876	2,153,598
Trade debtors	-	498,840
Other tax & social security	-	234,078
Total debtors	<u>2,883,876</u>	<u>2,886,516</u>

The amount due from the parent undertaking has no fixed repayment date.

7. CREDITORS- amounts falling due within one year

	2006	2005
	£	£
Other creditors	-	68,322
Corporation tax	21,269	5,216
	<u>21,269</u>	<u>73,538</u>

8. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2006	2005	2006	2005
	£	£	£	£
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1</u>	<u>1</u>

9. RESERVES

	Profit & loss account
	£
At 3 March 2005	2,812,977
Profit retained	49,629
2 March 2006	<u>2,862,606</u>

10. MOVEMENT IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
At 3 March 2005	2,812,978	-
Share capital issued	-	1
Profit earned for ordinary shareholders	49,629	2,812,977
Shareholders' funds at 2 March 2006	<u>2,862,607</u>	<u>2,812,978</u>

11. 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.

12. PARENT UNDERTAKING

The company's immediate parent undertaking is Whitbread Hotel Company Ltd registered in England and Wales.

The smallest group of which the company is a member is Whitbread Hotel Company Limited, registered in England and Wales. It has included the company in its group financial statements, copies of which are available from its registered office: Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE.

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