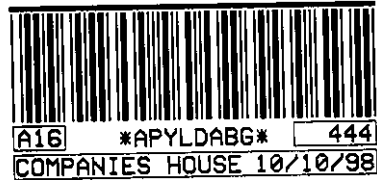


REPORT and ACCOUNTS

PRIORY LEISURE LIMITED

28 FEBRUARY 1998

Registered Number : 996804



Directors :

G R L Windle
S C Barratt

Secretary:

M R Buxton-Smith

Registered Office:

Chiswell Street
London
EC1Y 4SD

Auditors :

Ernst & Young
400 Capability Green
Luton LU1 3LU

Registered Number :

996804

REPORT OF THE DIRECTORS

Accounts

The directors submit to the shareholders their report and accounts for the year ended 28 February 1998.

Principal activity and review of business development

The directors report that the company has not traded during the year ended 28 February 1998.

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 held under the Whitbread PLC Share Ownership Scheme, are as follows:-

Ordinary shares

	<u>28 February 1998</u>	<u>2 March 1997</u>
S C Barratt	123	86
G R L Windle	15,982	13,840

Options over ordinary shares

During the year the following movements in options over the ordinary share capital of the holding company, Whitbread PLC, took place:-

		<u>Options held at</u> <u>2/3/97</u>	<u>Options granted</u> <u>Number</u>	<u>Price</u>	<u>Options exercised</u> <u>Number</u>	<u>Price</u>	<u>Options held at</u> <u>1/3/97</u>
S C Barratt	a	32,900	8,200	778.5p	-	-	41,100
	b	-	540	638.6p	-	-	540
G R L Windle	a	39,300	800	778.5p	-	-	40,100
	b	3,629	1,080	638.6p	1,676	357.8p	3,033

(a) the Executive Share Option Scheme

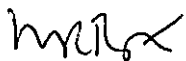
(b) the Savings Related Share Option Scheme

REPORT OF THE DIRECTORS (continued)

Auditors

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

By order of the board



M R Buxton-Smith
Company Secretary

18 August

1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the auditor's statement of auditors' 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 7 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 proper 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.

AUDITORS' REPORT

REPORT OF THE AUDITORS

to the members of Priory Leisure Limited

We have audited the financial statements on pages 6 to 7 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

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 as at 28 February 1998 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

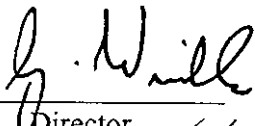
Ernst & Young
Registered Auditor
Luton

18 August 1998

BALANCE SHEET

28 February 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
CURRENT ASSETS			
Debtors - amounts due from group and parent undertakings		<u>842,682</u>	<u>842,682</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>842,682</u></u>	<u><u>842,682</u></u>
CAPITAL AND RESERVES			
Called up share capital	2	500	500
Profit and loss account		<u>842,182</u>	<u>842,182</u>
SHAREHOLDERS' FUNDS	3	<u><u>842,682</u></u>	<u><u>842,682</u></u>


 Director *AKL WINDAR*

18 August 1998

ACCOUNTING POLICIES

A. Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

B. 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.

NOTES TO THE ACCOUNTS

1. PROFIT AND LOSS ACCOUNT

The company did not trade during either the year to 28 February 1998 nor the year to 1 March 1997. There were no other recognised gains or losses.

2. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>500</u>	<u>500</u>

3. MOVEMENT IN SHAREHOLDERS FUNDS

	1998	1997
	£	£
Shareholders' funds	<u>842,682</u>	<u>842,682</u>

4. PARENT UNDERTAKING

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.