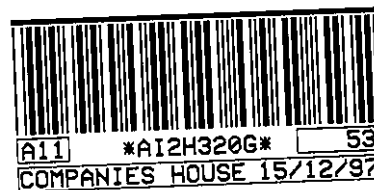


REPORT and ACCOUNTS

PRIORY LEISURE LIMITED

1 MARCH 1997



Directors : M D Hampson (resigned 28 February 1997)
G R L Windle
S C Barratt (appointed 28 February 1997)

Secretary: N J Fenton

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 1 March 1997.

Principal activity and review of business development

The company did not trade during the year. On 1 March 1997 the property was transferred to Country Club Hotels Limited.

Directors

The Directors of the company 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:-

<u>Ordinary shares</u>	<u>1 March 1997</u>	<u>3 March 1996</u>
S C Barratt	86	86 *
G R L Windle	13,855	12,599

* as at date of appointment on 28 February 1997

REPORT OF THE DIRECTORS (continued)

Directors' interests (continued)

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:-

		Options held at 3/3/96	Options granted Number	Price	Options exercised Number	Price	Options held at 1/3/97
S C Barratt	a	32,900 *	-		-		32,900
G R L Windle	a	36,200	3,100	739.2p	-		39,300
	b	3,856	590	584.2p	817	366.9p	3,629

(a) the Executive Share Option Scheme

(b) the Savings Related Share Option Scheme

* as at date of appointment on 28 February 1997.

Auditors

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

By order of the board

Nicole J Fenton

N J Fenton
Company Secretary

1 December 1997

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 9 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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF PRIORY LEISURE LIMITED

We have audited the financial statements on pages 6 to 9 which have been prepared under the historical cost convention as modified by the revaluation of property 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.

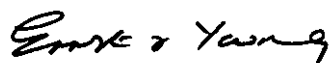
Basis of opinion

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 1 March 1997 and have been properly prepared in accordance with the Companies Act 1985.



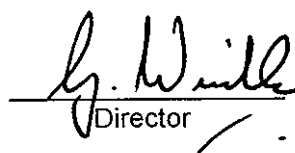
Ernst & Young
Chartered Accountants
Registered Auditor
Luton

1/12 1997

BALANCE SHEET

1 March 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	2	-	889,111
CURRENT ASSETS			
Debtors	3	842,682	-
CREDITORS : amounts falling due within one year	4	-	(46,429)
NET CURRENT LIABILITIES		842,682	(46,429)
TOTAL ASSETS LESS CURRENT LIABILITIES		842,682	842,682
CAPITAL AND RESERVES			
Called up share capital	5	500	500
Revaluation reserve	6	-	790,526
Profit and loss account	6	842,182	51,656
SHAREHOLDERS' FUNDS	7	842,682	842,682

 G. WINTH
Director

1 December 1997

ACCOUNTING POLICIES

A. 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.

B. Depreciation

While it is the company's policy to depreciate fixed assets, the nature of the hotel trade requires that, in order to protect that trade, freehold and long leasehold hotel premises are maintained in such a state of repair that their residual value is at least equal to their book amounts. In the opinion of the directors, any depreciation of these properties would not be material.

C. Deferred taxation

Deferred taxation is recognised under the liability method on all timing differences where it is considered that a liability will crystallise or tax will be recoverable in the foreseeable future.

D. 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 1 March 1997 nor the year to 2 March 1996. There were no other recognised gains or losses.

<u>2. TANGIBLE FIXED ASSETS</u>	<u>Freehold property</u> £
Cost or valuation:	
Gross amounts 2 March 1996	889,111
Transfers to other Group undertakings	(889,111)
Gross amounts 1 March 1997	-
Depreciation:	
At 2 March 1996 and 1 March 1997	-
Net book amounts:	
At 1 March 1997	-
At 2 March 1996	889,111

The directors carried out a valuation of the company's property as at 27 February 1993. The property was valued at open market value for the purpose of its existing use by chartered surveyors employed by the parent company. If this and previous revaluations had not taken place the value of fixed assets would have been:

	<u>Freehold property</u> £
Gross and net book amounts:	
At 1 March 1997	-
At 2 March 1996	100,007

NOTES TO THE ACCOUNTS (continued)

<u>3. DEBTORS : amounts falling due within one year</u>	<u>1997</u>	<u>1996</u>
	£	£

Amounts due from Group and parent undertakings	<u>842,682</u>	<u>-</u>
--	----------------	----------

<u>4. CREDITORS : amounts falling due within one year</u>	<u>1997</u>	<u>1996</u>
	£	£

Amounts due to Group and parent undertakings	<u>-</u>	<u>46,429</u>
--	----------	---------------

5. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>500</u>	<u>500</u>

6. RESERVES

	<u>Revaluation reserve</u>	<u>Profit & loss account</u>	<u>Total</u>
	£	£	£
At 2 March 1996	790,526	51,656	842,182
Realised revaluation surplus transferred to the profit and loss account	(790,526)	790,526	-
At 1 March 1997	<u>-</u>	<u>842,182</u>	<u>842,182</u>

7. MOVEMENT IN SHAREHOLDERS FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
Shareholders' funds as at 1 March 1997	<u>842,682</u>	<u>842,682</u>

8. 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.