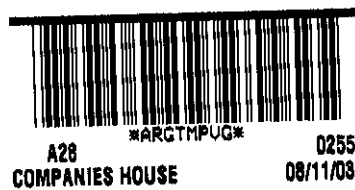


BURTON WATERS (H L & R) LIMITED

Report and Financial Statements

14 months ended 2 March 2003



Burton Waters (H L & R) Limited

Registered Number 3600431

DIRECTORS

DC Chambers	(resigned 30 August 2002)
PS Barron	(resigned 30 August 2002)
MRC Fearn	(appointed 30 August 2002)
S Miller	(appointed 30 August 2002)
SJ Robinson	(resigned 30 August 2002)
DJ Shah	(resigned 30 August 2002)
DA Whyles	(resigned 30 August 2002)
GC Wright	(appointed 30 August 2002)

SECRETARY

MR Buxton-Smith	(appointed 30 August 2002, resigned 1 October 2002)
P Redmond	(resigned 30 August 2002)
EA Thorpe	(appointed 30 August 2002)

AUDITORS

PKF
St Hugh's
23 Newport
Lincoln
LN1 3DN

REGISTERED OFFICE

Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
LU5 5XE

Burton Waters (H L & R) Limited

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the 14 months ended 2 March 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of sport facilities. There has been no change in this activity during the period.

RESULTS

The loss for the period after tax amounted to £198,192 (year ended 31 December 2001 restated – £196,648).

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 31 August 2002 the Company was acquired by David Lloyd Leisure Limited, a subsidiary of Whitbread PLC. A number of cost savings are expected to arise as a result of the acquisition, particularly in the area of labour costs, where the Company will benefit from David Lloyd Leisure's centralised 'Club Support' function. The directors are confident that efficiencies arising from the acquisition will deliver an improved performance in the coming year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the 14 months ended 2 March 2003 are listed on page 1. None of the directors serving at the balance sheet date had any beneficial interest in the shares of the Company.

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:

Ordinary shares	2 March 2003	date of appointment
MRC Fearn	186	63
S Miller	31,915	29,101
GC Wright	-	-

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

	Options held at date of appointment		Option granted		Options exercised		Options lapsed	Options held at 2 March 2003
	Number		Number	Price (p)	Number	Price (p)	Number	
M Fearn	26,960	(a)	24,000	641.0	-	-	-	50,960
	1,876	(b)	428	441.2	-	-	-	2,304
S Miller	176,900	(a)	50,000	641.0	-	-	-	226,900
	3,044	(b)	1,489	441.2	-	-	-	4,533
	39,354	(c)	20,634	-	-	-	19,654	40,334
GC Wright	12,000	(a)	-	-	-	-	-	12,000
	1,489	(b)	-	-	-	-	-	1,489

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS (continued)

- (a) the Executive Share Option Scheme
- (b) the Savings Related Share Option Scheme
- (c) the Long Term Incentive Plan

The Long Term Incentive Plan is available to directors and other nominated senior executives. It is designed to motivate them to deliver superior performance and increase shareholder value, so aligning their own long-term interests with those of the Company and its shareholders.

The Plan rewards executives with shares rather than cash benefits. Awards are based on three-year performance periods and are calculated by taking half of the executives salary at the start of the period and dividing it by the Whitbread share price averaged over the five business days preceding the start of the performance period.

The comparator used to measure the Company's relative Total Shareholder Return performance under the Plan is a group of 24 peer companies in related industries. These companies are the same as those used as a peer group comparison for pay benchmarking purposes. The performance threshold at which payments are made is the 50th percentile (i.e. 12th out of 24) measured against the comparator group.

POLITICAL & CHARITABLE DONATIONS

No charitable donations were made in the period (year ended 31 December 2001 - £1,397).

AUDITORS

A resolution to appoint Ernst & Young LLP will be put to the members at the Annual General Meeting.

The report of the directors was approved by the board on 21/10/03 and signed on its behalf by:



Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those 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; 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

Burton Waters (H L & R) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURTON WATERS (H L & R) LIMITED

We have audited the Company's financial statements for the 14 months ended 2 March 2003, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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 auditor's 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

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the Company 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 United Kingdom 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 2 March 2003 and of its loss for the 14 months then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF
Registered Auditor
Lincoln

5.11.03.



Burton Waters (H L & R) Limited

PROFIT & LOSS ACCOUNT

for the 14 months ended 2 March 2003

		14 months to 2 March 2003	12 months to 31 December 2001 (restated)
	note	£	£
TURNOVER	(2)	2,521,787	1,718,830
Cost of sales		(1,230,894)	(719,522)
GROSS PROFIT		1,290,893	999,308
Distribution costs		(67,900)	(112,324)
Administrative expenses		(1,332,009)	(915,020)
OPERATING LOSS	(3)	(109,016)	(28,036)
Interest payable and similar charges		(89,176)	(168,612)
TRANSFER FROM RESERVES	(13)	(198,192)	(196,648)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 14 months ended 2 March 2003

	14 months to 2 March 2003	12 months to 31 December 2001 (restated)
	£	£
PROFIT FOR THE FINANCIAL YEAR	(198,192)	(196,648)
Prior year adjustment for the change in accounting policy regarding the depreciation of land and buildings	(68,304)	-
TOTAL GAINS AND LOSSES RECOGNISED SINCE PREVIOUS YEAR END	(266,496)	(196,648)

Burton Waters (H L & R) Limited

BALANCE SHEET

as at 2 March 2003

	note	2 March 2003 £	31 December 2001 (restated) £
FIXED ASSETS			
Intangible assets	(6)	-	32,000
Tangible assets	(7)	4,568,009	4,433,647
		<u>4,568,009</u>	<u>4,465,647</u>
CURRENT ASSETS			
Stock		-	22,395
Debtors	(8)	-	115,847
Cash		188,847	1,532
		<u>188,847</u>	<u>139,774</u>
CREDITORS: amounts falling due within one year	(9)	(3,134,136)	(730,392)
NET CURRENT LIABILITIES		(2,945,289)	(590,618)
CREDITORS: amounts falling due after more than one year	(10)	(120,692)	(2,174,809)
NET ASSETS		1,502,028	1,700,220
CAPITAL AND RESERVES			
Called up share capital	(12)	2,255,000	2,255,000
Profit and loss account	(13)	(752,972)	(554,780)
EQUITY SHAREHOLDERS' FUNDS	(14)	1,502,028	1,700,220

The financial statements were approved by the board on 21 October 2003 and signed by:

Director



NOTES TO THE FINANCIAL STATEMENTS

for the 14 months ended 2 March 2003

1) ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

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

Changes to accounting policies

In accordance with the Companies Act 1985 and FRS 15 (Tangible Fixed Assets), depreciation is being charged on long leasehold property. The effect on the reported figures is to increase the depreciation charge for the period by £53,124.

FRS 19 (Deferred Tax) has been adopted in the current reporting period. There is no effect on the reported figures for either the current or comparative periods.

FRS 18 (Accounting Policies) has been adopted in the current period. It has had no effect on the reported figures for either the current or comparative periods.

Turnover

Turnover comprises: joining fees; membership subscriptions; facilities income; and bar and restaurant income exclusive of value added tax.

Joining fees are non-refundable and are recognised in the accounting period in which they are received. Subscriptions are released to the profit and loss account over the period to which they relate. Subscriptions received prior to the period to which they relate are recorded as deferred income. Life membership subscriptions are released to the profit and loss account evenly over five years.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful economic lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

for the 14 months ended 2 March 2003

1) ACCOUNTING POLICIES (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost of acquisition less depreciation.

The costs or valuation of fixed assets is written off on a straight line basis over their expected useful economic lives as follows:

- freehold land is not depreciated;
- freehold buildings are depreciated to their estimated residual values over a period not exceeding 50 years;
- long leasehold properties are depreciated to their estimated residual values over the shortest of: 50 years; their useful economic lives; or their remaining lease periods;
- fixtures, furniture and equipment are depreciated over a period of three to 20 years.

Stock

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred taxation is not recognised where an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation 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 the tax rates that have been enacted or substantively enacted at the balance sheet date.

Cash flow statement

Under the provision of FRS 1 (revised), the Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of an EC parent company.

2) TURNOVER

The Company's turnover is solely derived from continuing health and leisure activities in the United Kingdom.

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the 14 months ended 2 March 2003

3) OPERATING PROFIT

Operating profit is stated after charging:

		2003 (14 months)	2001 (12 months) (restated)
	note	£	£
Amortisation of intangible assets	(6)	8,000	12,000
Goodwill write offs	(6)	24,000	-
Tangible fixed asset write offs	(7)	62,709	-
Depreciation of tangible fixed assets	(7)	244,928	212,804
Audit fees		-	4,650
		<u> </u>	<u> </u>

Audit fees are borne by the parent company, David Lloyd Leisure Limited.

4) DIRECTORS' REMUNERATION

	2003 (14 months)	2001 (12 months)
	£	£
Aggregate of directors' emoluments and other benefits	13,333	46,913
	<u> </u>	<u> </u>

5) STAFF COSTS AND NUMBERS

	2003 (14 months)	2001 (12 months)
	£	£
Wages and salaries	971,310	743,483
Social security costs	75,306	57,033
Pension costs	372	-
	<u> </u>	<u> </u>
	1,046,988	800,516
	<u> </u>	<u> </u>

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS for the 14 months ended 2 March 2003

5) STAFF COSTS AND NUMBERS (continued)

The average number of persons employed by the Company during the period was as follows:

	2003	2001
	Number	Number
Full-time	50	45
Part-time	28	24
	<u> </u>	<u> </u>

6) INTANGIBLE FIXED ASSETS

	Goodwill £
<i>Cost or valuation</i>	
As at 1 January 2002	50,000
Write offs	(50,000)
	<u> </u>
As at 2 March 2003	-
	<u> </u>
<i>Depreciation</i>	
As at 1 January 2002	(18,000)
Depreciation for the period	(8,000)
Write-offs	26,000
	<u> </u>
As at 2 March 2003	-
	<u> </u>
<i>Net book value</i>	
As at 2 March 2003	-
	<u> </u>
As at 1 January 2002	32,000
	<u> </u>

The goodwill balance brought forward at 1 January 2002 represents the value of memberships transferred from the Lincoln Indoor Tennis Club ('LITC') to the Burton Waters club. This balance was written-off during the period, resulting in a £24,000 charge to the profit and loss account.

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS for the 14 months ended 2 March 2003

7) TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Total £
<i>Cost or valuation</i>			
As at 1 January 2002	4,060,248	688,212	4,748,460
Additions	13,392	429,661	443,053
Disposals	-	(3,150)	(3,150)
Write offs	-	(81,259)	(81,259)
As at 2 March 2003	4,073,640	1,033,464	5,107,104
<i>Depreciation</i>			
As at 1 January 2002 (restated)	(68,304)	(246,509)	(314,813)
Depreciation for the period	(53,124)	(191,804)	(244,928)
Disposals	-	2,096	2,096
Write offs	-	18,550	18,550
As at 2 March 2003	(121,428)	(417,667)	(539,095)
<i>Net book value</i>			
As at 2 March 2003	3,952,212	615,797	4,568,009
As at 1 January 2002 (restated)	3,991,944	441,703	4,433,647

The net book values of plant and machinery include £117,792 (2001 - £208,675) in respect of assets held under finance leases or hire purchase contracts.

Land included above amounts to £423,327 (2001 - £423,327).

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS for the 14 months ended 2 March 2003

8) DEBTORS

	2003	2001
	£	£
Trade debtors	-	27,352
Other debtors	-	88,495
	<u>-</u>	<u>115,847</u>
	<u>-</u>	<u>115,847</u>

9) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2001
	£	£
Bank loans and overdrafts	-	267,425
Trade creditors	-	101,239
Other taxation and social security	-	74,354
Net obligations under finance leases	71,965	71,963
Other creditors	18,917	215,411
Amounts owed to group undertakings	3,043,254	-
	<u>3,134,136</u>	<u>730,392</u>
	<u>3,134,136</u>	<u>730,392</u>

As at 31 December 2001, the Company had a £250,000 overdraft facility with Barclays Bank. The overdraft was repayable on demand and attracted interest at 2.25% above the Barclays base rate. The overdraft was repaid in full by David Lloyd Leisure Limited following its acquisition of the Company on 31 August 2002, and the resulting liability is now presented within 'amounts owed to Group undertakings'.

From 30 August 2002 all purchases made by the Company are in the name of David Lloyd Leisure Limited and any outstanding liabilities met by the parent company. Consequently, there are no 'trade creditor' or 'other creditor' balances as at 2 March 2003.

Finance lease and hire purchase creditors are secured on the assets concerned.

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS for the 14 months ended 2 March 2003

10) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2001
	£	£
Bank loans	-	1,960,134
Net obligations under finance leases	120,692	214,675
	<u>120,692</u>	<u>2,174,809</u>

As at 31 December 2001, the Company had a £2 million bank loan, secured on the leasehold building. The bank loan was repaid in full by David Lloyd Leisure Limited following its acquisition of the Company, and the resulting liability is presented within 'amounts owed to Group undertakings' as at 2 March 2003.

Finance lease and hire purchase creditors are secured on the assets concerned.

11) OBLIGATIONS UNDER FINANCE LEASES

	2003	2001
	£	£
<i>Amounts payable:</i>		
Within one years	71,965	95,934
In two to five years	120,692	211,574
	<u>192,657</u>	<u>307,508</u>

12) SHARE CAPITAL

	2003	2001
	£	£
<i>Authorised</i>		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
<i>Called up, allotted and fully paid</i>		
2,255,000 ordinary shares of £1 each	2,255,000	2,255,000

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the 14 months ended 2 March 2003

13) STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £
As at 31 December 2001 as published	(486,476)
Prior year adjustment for the change in accounting policy regarding the depreciation of land and buildings	(68,304)
As at 31 December 2001 restated	(554,780)
Loss for the period	(198,192)
As at 2 March 2003	(752,972)

14) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2001 (restated) £
Opening shareholders' funds as published	1,768,524	1,919,637
Prior year adjustment for the change in accounting policy regarding the depreciation of land and buildings	(68,304)	(22,769)
Opening shareholders' funds restated	1,700,220	1,896,868
Loss attributable to ordinary shareholders	(198,192)	(196,648)
Closing shareholders' funds	1,502,028	1,700,220

Burton Waters (H L & R) Limited

NOTES TO THE FINANCIAL STATEMENTS for the 14 months ended 2 March 2003

15) OPERATING LEASE COMMITMENTS

As at 2 March 2003, the Company had annual commitments under non-cancellable operating leases as set out below:

	2003	2001
	£	£
<i>Leases which expire:</i>		
Within one year	-	-
In two to five years	-	8,517
In over five years	10,250	-
	<u>10,250</u>	<u>8,517</u>

16) RELATED PARTY TRANSACTIONS

The Company is a wholly owned indirect subsidiary of Whitbread PLC and has taken advantage of the exemption given in FRS 8 not to disclose transactions with other group companies.

17) ULTIMATE PARENT UNDERTAKING

As at 2 March 2003, the Company was a wholly owned subsidiary of David Lloyd Leisure Limited. At the same date, the ultimate parent company was Whitbread PLC, a company incorporated in the United Kingdom.

Copies of the group accounts are available from the Company Secretary of Whitbread PLC at 25th Floor, CityPoint, One Ropemaker Street, London, EC2Y 9HX.