

Company Registration No. 3896380

English Country Inns PLC

Report and Financial Statements

1 June 2002



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English Country Inns PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Hunt	(Chairman)
D T Udell	(Chief Executive)
P J Mathews	(Operations Director)
S T Gee	(Non-Executive)
P C P Sexton	(Non-Executive)

SECRETARY

J M Gain

AUDITORS

Ernst and Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

BANKERS

Royal Bank of Scotland plc
5-10 Great Tower Street
London
EC3P 3HX

Girobank
Bridle Road
Merseyside
G1R 0AA

SOLICITORS

Osborne Clarke
Hillgate House
26 Old Bailey
London
EC4M 7HW

Higgs & Sons
Inhedge House
31 Wolverhampton Street
Dudley
West Midlands
DY1 1EY

SURVEYORS/VALUERS

Christie & Co
50 Victoria Street
London
SW1H 0NW

Humberts Leisure
12 Bolton Street
London
W1J 8BD

STRUCTURAL ENGINEERS

GCA (UK) Limited
Babington Lodge
128 Green Lane
Derby
DE1 1RY

REGISTERED OFFICE

8 Baker Street
London
W1M 1DA

Registered No. 3896380

CHAIRMAN'S STATEMENT

It is with great pleasure that I am able to report a successful first full year of business to shareholders. Significant progress has been made towards establishing an estate of public houses in the original target area of Southern England. We have previously advised you that your Board is now also establishing a cluster of public houses in the area to the South of Birmingham.

I am presenting my review of the business in five sections:

- Fundraising Progress;
- Growth of the Estate;
- Operational Performance;
- Performance since the Period End; and
- Our Vision for the Future.

I hope this will provide an understanding of the progress achieved over the last 12 months and also to present your Board's plans to maximise shareholder value in the future.

FUNDRAISING PROGRESS

During the period the Company successfully raised a further £4,896,218 of funds through the subscription for 4,663,065 new ordinary shares at a price of 105 pence per share. The new funds raised should enable further acquisitions of public houses which should contribute significantly to the Company's operating profits.

GROWTH OF THE ESTATE

At the period end the Company owned eight public houses. The Board has recently completed the purchase of a further two public houses located in the West Midlands. The Board is negotiating the purchase of further units.

Our cash balance at 31 August 2002 was £3,798,985, which should allow further acquisitions of between three and five units to bring the total number of public houses in the Company to between 13 and 15.

OPERATIONAL PERFORMANCE

After absorbing all central overheads for the entire 12 month period the Company achieved a net loss of £52,294 (2001: profit £5,130) on turnover of £2,289,345 (2001: £78,928). The fact that many of the public houses were only owned for a part of the year meant that the Company has not benefited from a full year's income from these units.

At the operational level, results were encouraging with a gross profit margin of 64.8% (2001: 63.9%) being achieved. The trading profit margin, which is calculated before administrative expenses and depreciation has been satisfactory at 11.2% (2001: 23.5%).

The trading margin in some houses has been depressed during periods of refurbishment. Refurbishments have now been completed at The Bax Castle, The Camelot Inn, The Horton Inn and The Sparkford Inn.

We have experienced notable increases in year on year revenues and year on year profit at The Camelot Inn and The Sparkford Inn, both public houses for which we have comparative prior year data. This comparative data is not yet available for those houses owned for less than a year but we are pleased that the operational profitability of these houses continues to improve.

Your Board is encouraged by the results for the period and believes that performance should continue to improve.

I would like to thank the operations team, our licensees and staff for their commitment and hard work which has contributed significantly towards the Company's progress during the period.

PERFORMANCE SINCE THE PERIOD END

Since the results presented in the audited accounts reflect the 52 week trading period from 3 June 2001 to 1 June 2002, I thought you might be interested to learn of the Company's more recent performance.

English Country Inns PLC

CHAIRMAN'S STATEMENT

A summary of the *unaudited* results since 2 June 2002, which has been extracted from the management accounts, is set out below:

	4 weeks to 29 June 2002	4 weeks to 27 July 2002	5 weeks to 31 August 2002	Total 13 weeks
TURNOVER	£268,753	£295,803	£474,452	£1,039,008
GROSS PROFIT	£174,792	£199,765	£311,155	£685,712
GROSS PROFIT MARGIN	65.0%	67.5%	65.6%	66.0%
TRADING PROFIT	£35,285	£66,592	£122,401	£224,278
TRADING PROFIT MARGIN	13.1%	22.5%	25.8%	21.6%
PROFIT / (LOSS) BEFORE TAX	£(5,560)	£30,656	£60,763	£85,859

The Company has experienced a successful summer period and has created a profitable base for the remainder of the financial year. This success might in part have been helped by the fact that many of our houses are located on, or close to, main tourist routes.

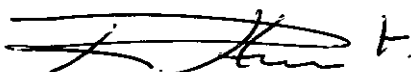
It is your Board's intention to develop an estate which has the potential to trade profitably throughout the year. One of the advantages of extending our geographic area near to more densely populated areas is that the Company should retain more trade during the winter months.

I would encourage shareholders to visit the Company's public houses and to pass on your comments to us. Please tell us what you think we are doing right as well as what we are doing wrong! I have enclosed some comment cards should you have the opportunity to visit any of the Company's public houses. A full list is presented at the end of the report and financial statements.

OUR VISION FOR THE FUTURE

With the continued expansion of the estate and strong operational management your board is expecting continued growth in revenues and profitability. Furthermore, your board will seek to focus on acquiring units at the right price with the aim of enhancing capital value, which in turn should maximise shareholder value.

When all current funds have been committed to acquisitions it may be appropriate for the Company to consider raising additional finance to capitalise further on the success already achieved.



R Hunt
Chairman

24 October 2002

English Country Inns PLC

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the 52 week period ended 1 June 2002.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £52,294.

The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the Company comprise the ownership and management of public houses and the distribution of food, beers, wines, spirits and other drinks to its customers.

The Directors' Report should be read in conjunction with the Chairman's Statement on pages 4 to 5, which includes information about the Company's business and financial performance during the period and the outlook for the future.

CHANGES IN SHARE CAPITAL

During the period ended 1 June 2002, 4,663,065 ordinary shares of 50 pence each were issued at 105 pence.

EVENTS AFTER THE BALANCE SHEET DATE

On 26 July 2002, the Company purchased The Old Courthouse Hotel at Kingswinford, West Midlands and on 23 October 2002 the Company purchased The Falcon Inn, Haseley, Warwickshire.

DIRECTORS AND THEIR INTERESTS

The directors during the period and their interests in the share capital of the Company were as follows.

	<i>At 1 June 2002</i>	<i>At 3 June 2001</i>
	<i>Ordinary shares of</i>	<i>Ordinary shares of</i>
	<i>50 pence each</i>	<i>50 pence each</i>
	<i>No.</i>	<i>No.</i>
R Hunt	25,000	20,000
D T Udell	20,000	15,000
P J Mathews	15,000	10,000
S T Gee	2,000	-
P C P Sexton	10,000	2,000

INCENTIVE ARRANGEMENTS SHARE OPTIONS

Share option arrangements have been established for the benefit of Roger Hunt (the Chairman), Tim Udell (the Chief Executive), Peter Mathews (Operations Director) and Close Brothers Investment Limited. These arrangements provide for the grant of share options equivalent in total to up to 10% of the Shares issued under the 2000/2001 and 2002 Offers for Subscription.

SHARE OPTIONS UNDER THE 2000 AND 2001 OFFERS FOR SUBSCRIPTION

The exercise price of the share options pursuant to the 2000/2001 Offers for Subscription is 100 pence per share. The number of options available will depend upon the overall performance of the Company regarding whether a benchmark target of 115 pence net asset value per share is achieved. The options represent either 5% of the shares issued under the 2000/2001 Offers for Subscription (if the target is not achieved) or 10% of the shares issued under the 2000/2001 Offers for Subscription if the benchmark target is achieved. Details of these arrangements are summarised below

DIRECTORS' REPORT

Option Holder	% of Options	Number of Ordinary Shares subject to the Options if benchmark target is and is not achieved	
		Target not achieved	Target achieved
R Hunt	10.0	30,000	60,000
D T Udell	22.5	67,500	135,000
P J Mathews *	17.5	52,500	105,000
Close Brothers Investment Limited	<u>50.0</u>	<u>150,000</u>	<u>300,000</u>
	<u>100</u>	<u>300,000</u>	<u>600,000</u>

The net asset value per Share will be that shown by the audited balance sheet as at 31 May 2004.

* These share options have been issued under the Enterprise Management Incentive Scheme.

SHARE OPTIONS UNDER THE 2002 OFFERS FOR SUBSCRIPTION

The exercise price of the share options pursuant to the 2002 Offers for Subscription is 105 pence per share. The number of options available will depend upon the overall performance of the Company regarding whether a benchmark target of 120.75 pence net asset value per share is achieved. The options represent either 5% of the shares issued under the 2002 Offers for Subscription (if the target is not achieved) or 10% of the shares issued under the 2002 Offers for Subscription if the benchmark target is achieved. Details of these arrangements are summarised below.

Option Holder	% of Options	Number of Ordinary Shares subject to the Options if benchmark target is and is not achieved	
		Target not achieved	Target achieved
R Hunt *	10.0	23,315	46,631
D T Udell *	22.5	52,459	104,919
P J Mathews *	17.5	40,802	81,604
Close Brothers Investment Limited	<u>50.0</u>	<u>116,577</u>	<u>233,153</u>
	<u>100</u>	<u>233,153</u>	<u>466,307</u>

The net asset value per Share will be that shown by the audited balance sheet as at 31 May 2005.

* These share options have been issued under the Enterprise Management Incentive Scheme, where allowed.

SUPPLIERS' PAYMENT POLICY

The Company informs and agrees with its suppliers in accordance with its payment practice and abides by any special arrangements made with each individual supplier. The normal practice is to pay trade suppliers at the month end following the month of invoice.

Trade creditor days of the Company at 1 June 2002 were an average of 43 days in respect of outstanding purchase invoices.

English Country Inns PLC

DIRECTORS' REPORT

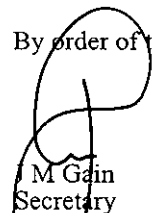
ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12 Appold Street, London EC2A 2AW at 4.00 p.m. on 21 November 2002. The notice convening the Annual General Meeting is set out at the end of this document.

AUDITORS

BDO Stoy Hayward resigned as auditors on 30 July 2002 and, as required under section 394 of the Companies Act 1985, have stated that there are no circumstances connected with their resignation which they consider should be brought to the attention of the members and/or creditors of the Company. Ernst and Young LLP were appointed by the directors as the auditors to fill the casual vacancy. A resolution to appoint Ernst and Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



J M Gain
Secretary

24 October 2002

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

AUDITORS' REPORT

**REPORT OF THE INDEPENDENT AUDITORS
to the members of English Country Inns PLC**

We have audited the company's accounts for the 52 week period ended 1 June 2002, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of cashflows and the related notes 1 to 16. These accounts have been prepared on the basis of the accounting policies set out herein.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with the relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts 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 director's report is not consistent with the accounts, 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 chairman's statement and the directors' report and consider the implications for our report if we become aware of any apparent misstatement within them.

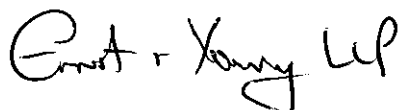
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 1 June 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

24 October 2002

English Country Inns PLC

PROFIT AND LOSS ACCOUNT for the 52 week period ended 1 June 2002

	Notes	52 weeks ending 1 June 2002 £	Seventeen Months to 2 June 2001 £
TURNOVER	2	2,289,345	78,928
Cost of sales		<u>(805,683)</u>	<u>(28,469)</u>
GROSS PROFIT		1,483,662	50,459
Other operating expenses		(1,309,710)	(34,603)
Administrative expenses		<u>(304,469)</u>	<u>(67,318)</u>
OPERATING LOSS	3	(130,517)	(51,462)
Bank interest receivable		<u>85,962</u>	<u>58,114</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(44,555)	6,652
Taxation on (loss)/profit on ordinary activities	6	<u>(7,739)</u>	<u>(1,522)</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIODS	12	<u><u>(52,294)</u></u>	<u><u>5,130</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than as shown in the profit and loss account above.

English Country Inns PLC

BALANCE SHEET at 1 June 2002

	Notes	1 June 2002 £	2 June 2001 £
FIXED ASSETS			
Tangible assets	7	5,704,522	1,211,162
CURRENT ASSETS			
Stocks	8	107,292	18,840
Debtors	9	93,337	26,988
Cash at bank and in hand		4,584,339	4,495,040
		4,784,968	4,540,868
CREDITORS: amounts falling due within one year	10	(290,761)	(102,376)
NET CURRENT ASSETS		4,494,207	4,438,492
TOTAL ASSETS LESS CURRENT LIABILITIES		10,198,729	5,649,654
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax		-	(1,522)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,198,729	5,648,132
CAPITAL AND RESERVES			
Called up share capital	11,12	5,331,535	3,000,002
Share premium account	12	4,914,358	2,643,000
Profit and loss account	12	(47,164)	5,130
Shareholders' funds: Equity	12	10,198,729	5,648,132

These financial statements were approved by the Board of Directors on 24 October 2002

Signed on behalf of the Board of Directors



Director

24 October 2002

English Country Inns PLC

STATEMENT OF CASH FLOWS at 1 June 2002

	Notes	52 weeks ending 1 June 2002 £	Seventeen Months to 2 June 2001 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	3(b)	(1,179)	7,811
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		72,590	58,114
TAXATION			
Corporation tax paid		(9,261)	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(4,575,742)	(1,213,887)
NET CASH OUTFLOW BEFORE FINANCING		(4,513,592)	(1,147,962)
FINANCING			
Issue of ordinary share capital		4,896,215	6,000,002
Share issue costs		(293,324)	(357,000)
NET CASH INFLOW FROM FINANCING		4,602,891	5,643,002
INCREASE IN CASH		89,299	4,495,040
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
	Notes	52 weeks ending 1 June 2002 £	Seventeen Months to 2 June 2001 £
INCREASE IN CASH		89,299	4,495,040
MOVEMENT IN NET FUNDS IN THE YEAR		89,299	4,495,040
NET FUNDS BROUGHT FORWARD		4,495,040	-
NET FUNDS CARRIED FORWARD	13	4,584,339	4,495,040

NOTES TO THE ACCOUNTS
at 1 June 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts have been prepared for the period to close of business on 1 June 2002 and future accounts will be prepared for periods of 52 or 53 weeks.

Tangible Fixed Assets

Depreciation is not provided on freehold land. On other assets it is provided to write off the cost or revalued amounts less estimated residual value (based on prices prevailing at the date of acquisition or revaluation) in equal annual instalments over the estimated useful economic lives of the assets. The estimated useful economic lives are as follows:

Freehold buildings	-	50 years
Fixtures, fittings and equipment	-	3 to 15 years
Motor vehicles	-	4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Purchase cost is calculated on a first-in, first-out basis.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions

The company operates a stakeholder pension scheme. The company does not contribute to this scheme and all costs of the scheme are borne by the employees' contributions.

English Country Inns PLC

NOTES TO THE ACCOUNTS at 1 June 2002

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts received and receivable from the Company's continuing principal activity.

All activities relate to the ownership and management of public houses in the UK.

3. OPERATING LOSS

(a) This is stated after charging:

	<i>52 weeks ending 1 June 2002 £</i>	<i>Seventeen Months to 2 June 2001 £</i>
Depreciation of owned fixed assets	82,382	2,725
Auditors remuneration	6,500	3,000
Operating lease - other	3,204	-
	<u>82,382</u>	<u>5,725</u>

(b) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities:

	<i>52 weeks ending 1 June 2002 £</i>	<i>Seventeen Months to 2 June 2001 £</i>
Operating loss	(130,517)	(51,462)
Depreciation	82,382	2,725
Increase in stocks	(88,452)	(18,840)
Increase in operating debtors and prepayments	(52,977)	(26,988)
Increase in operating creditors and accruals	188,385	102,376
	<u>(1,179)</u>	<u>7,811</u>

4. DIRECTORS' EMOLUMENTS

	<i>52 weeks ending 1 June 2002 £</i>	<i>Seventeen Months to 2 June 2001 £</i>
Emoluments	<u>93,438</u>	<u>18,594</u>

English Country Inns PLC

NOTES TO THE ACCOUNTS at 1 June 2002

5. STAFF COSTS *Excluding directors*

	<i>52 weeks ending 1 June 2002 £</i>	<i>Seventeen Months to 2 June 2001 £</i>
Wages and salaries	750,938	21,722
Social security costs	49,670	866
	<u>800,608</u>	<u>22,588</u>
	<i>52 weeks ending 2 June 2002 No.</i>	<i>Seventeen Months to 2 June 2001 No.</i>
The average weekly number of employees during the period (excluding directors):		
Sales	<u>95</u>	<u>32</u>

6. TAXATION

	<i>52 weeks ending 1 June 2002 £</i>	<i>Seventeen Months to 2 June 2001 £</i>
Based on the (loss)/profit for the year:		
Prior year payment	9,261	-
Deferred tax	<u>(1,522)</u>	<u>1,522</u>
	<u>7,739</u>	<u>1,522</u>

At 1 June 2002, the company had losses available to carry forward against future profits of the same trade of £245,868.

RECONCILIATION OF CURRENT TAX CHARGE:

(Loss)/Profit on ordinary activities before taxation	<u>(44,555)</u>	<u>6,652</u>
UK corporation tax thereon at 30%	(13,367)	1,996
Deferred taxation	(1,522)	1,522
Adjustment to prior year's tax provision	9,261	-
Depreciation	24,715	1,043
Capital allowances	(65,722)	(8,534)
Current year losses carried forward	54,374	5,495
	<u>7,739</u>	<u>1,522</u>

English Country Inns PLC

NOTES TO THE ACCOUNTS at 1 June 2002

7. TANGIBLE FIXED ASSETS

	<i>Freehold land £</i>	<i>Freehold buildings £</i>	<i>Motor Vehicles £</i>	<i>Fixtures, fittings and equipment £</i>	<i>Total £</i>
Cost: at 3 June 2001	507,775	630,000	-	76,112	1,213,887
Additions	2,068,924	1,855,523	6,600	644,695	4,575,742
At 1 June 2002	<u>2,576,699</u>	<u>2,485,523</u>	<u>6,600</u>	<u>720,807</u>	<u>5,789,629</u>
Depreciation: at 3 June 2001	-	1,050	-	1,675	2,725
Provided during the period	-	40,369	1,238	40,775	82,382
At 1 June 2002	<u>-</u>	<u>41,419</u>	<u>1,238</u>	<u>42,450</u>	<u>85,107</u>
Net book amount: At 1 June 2002	<u>2,576,699</u>	<u>2,444,104</u>	<u>5,362</u>	<u>678,357</u>	<u>5,704,522</u>
At 3 June 2001	<u>507,775</u>	<u>628,950</u>	<u>-</u>	<u>74,437</u>	<u>1,211,162</u>

8. STOCKS

	<i>1 June 2002 £</i>	<i>2 June 2001 £</i>
Wet stocks	38,771	8,300
Dry stocks	30,847	5,000
Other stocks	37,674	5,540
	<u>107,292</u>	<u>18,840</u>

9. DEBTORS

	<i>1 June 2002 £</i>	<i>2 June 2001 £</i>
Other debtors	2,652	26,988
Prepayments and accrued income	90,685	-
	<u>93,337</u>	<u>26,988</u>

10. CREDITORS: amounts falling due within one year

	<i>1 June 2002 £</i>	<i>2 June 2001 £</i>
Trade creditors	181,775	49,772
Social security and other taxes	32,554	9,774
Accruals	63,894	42,580
Other creditors	12,538	250
	<u>290,761</u>	<u>102,376</u>

English Country Inns PLC

NOTES TO THE ACCOUNTS at 1 June 2002

11. SHARE CAPITAL

	<i>1 June</i>		<i>Authorised</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>No</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of 50 pence each	<u>20,000,000</u>	<u>20,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
			<i>Allotted, called up and fully paid</i>	
	<i>1 June</i>	<i>2 June</i>	<i>1 June</i>	<i>2 June</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of 50 pence each	<u>10,663,069</u>	<u>6,000,004</u>	<u>5,331,535</u>	<u>3,000,002</u>

During the period 4,663,065 ordinary shares of 50 pence each, with an aggregate nominal value of £2,331,533 were allotted for cash at £1.05 each.

Share options are disclosed in the directors' report.

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Profit for the period	-	-	5,130	5,130
Other movements:				
Shares issued	3,000,002	3,000,000	-	6,000,002
Less: Issue costs	-	(357,000)	-	(357,000)
At 2 June 2001	<u>3,000,002</u>	<u>2,643,000</u>	<u>5,130</u>	<u>5,648,132</u>
Loss for the period	-	-	(52,294)	(52,294)
Other movements:				
Shares issued	2,331,533	2,564,685	-	4,896,218
Less: issue costs	-	(293,327)	-	(293,327)
At 1 June 2002	<u>5,331,535</u>	<u>4,914,358</u>	<u>(47,164)</u>	<u>10,198,729</u>

English Country Inns PLC

NOTES TO THE ACCOUNTS at 1 June 2002

13. ANALYSIS OF NET FUNDS

	<i>At 3 June 2001 £</i>	<i>Cash flow £</i>	<i>At 1 June 2002 £</i>
Cash at bank and in hand	<u>4,495,040</u>	<u>89,299</u>	<u>4,584,339</u>

14. OTHER FINANCIAL COMMITMENTS

At 1 June 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Other 1 June 2002 £</i>	<i>Other 2 June 2001 £</i>
Operating leases, for the car park at The Jolly Farmer, which expire:		
in less than one year	5,000	-
within two to five years	20,000	-
after five years	100,000	-
	<u>125,000</u>	<u>-</u>

15. RELATED PARTY TRANSACTIONS

P C P Sexton, a director of the Company, is also a director of Close Brothers Investment Limited, which during the period received £293,327 in connection with the sponsorship of the Company's second offers for subscription which raised funds of £4,896,218 and administration fees of £130,452 (2001: £27,698). The fee charged for sponsorship of the offers for subscription included costs associated with confirmation of the Company's qualifying status under the Enterprise Investment Scheme, the preparation and issue of relevant documentation including the accountants' report and fundraising prospectus, the payment of introductory commission to authorised investment advisers, and other preparatory work and expenses.

Included within accruals is £32,363 (2001: £18,750) owed to Close Brothers Investment Limited at 1 June 2002.

16. POST BALANCE SHEET EVENTS

On 26 July 2002, the Company purchased The Old Courthouse Hotel, Kingswinford, West Midlands and on 23 October 2002 purchased The Falcon Inn, Haseley, Warwickshire.

PUBLIC HOUSE PORTFOLIO

The Bax Castle
Two Mile Ash
Southwater
Nr Horsham
West Sussex
RH13 7LA
Tel: 01403 730369

The Camelot Inn
Polsham
Nr Wells
Somerset
BA5 1RW
Tel: 01749 673783

The Falcon
Birmingham Road
Haseley
Hatton
Warwickshire
CV35 7HA
Tel: 01926 484281

The George and Dragon
Houghton
Arundel
West Sussex
Tel: 01798 831559

The Horton Inn
Cranbourne Road
Horton
Nr Wimbourne
Dorset
BH21 5AD
Tel: 01258 840252

The Jolly Farmer
Burdenshot Road
Worplesdon
Surrey
GU3 3RN
Tel: 01483 234658

The Old Courthouse Hotel
High Street
The Village
Kingswinford
West Midlands
DY6 8AX
Tel: 01384 833456

The Pelican Inn
Warminster Road
Stapleford
Nr Salisbury
Wiltshire
SP3 4CT
Tel: 01722 790241

The Pied Piper
246 Ringwood Road
Ferndown
Dorset
BH24 2SB
Tel: 01202 874526

The Sparkford Inn
High Street
Sparkford
Nr Yeovil
Somerset
BA22 7JN
Tel: 01963 440218

English Country Inns PLC

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of English Country Inns PLC will be held at 4.00 p.m. at 12 Appold Street, London EC2A 2AW on 21 November 2002 for the purpose of dealing with the following business:

ORDINARY BUSINESS

1. To receive and adopt the financial statements and the reports of the directors and auditors for the 52 week period ended 1 June 2002.
2. To appoint Ernst and Young LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to fix their remuneration.
3. To re-elect D T Udell, who retires by rotation, as a director of the Company.

By order of the Board

J M Gain
Secretary

24 October 2002

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. Such proxy need not be a member of the company.
2. A form of proxy is enclosed and to be valid must be lodged with the Registrars of the Company not less than forty-eight hours before the time fixed for the meeting.

English Country Inns PLC

FORM OF PROXY

To be used at the Annual General Meeting of the Company
to be held at 12 Appold Street, London EC2A 2AW on 21 November 2002 at 4.00 p.m.

I / We being a member / members of the above named Company
entitled to attend and vote at the Annual General Meeting of the Company hereby appoint the Chairman
of the Meeting or (see note (a))

..... of
as my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Company
to be held on 21 November 2002 at 4.00 p.m. and at any adjournment thereof.

My / our proxy is to vote as indicated below.

	For	Against
Resolution Number 1 Report and Accounts		
Resolution Number 2 Appointment of Auditors		
Resolution Number 3 Re-election of D T Udell		

Signature.....

Dated2002

NOTES:

- (a) If you wish to appoint a proxy or proxies other than the Chairman of the Meeting please insert that person's name and address and delete (initialling the deletion) "the Chairman of the Meeting or". A proxy need not be a Member of the Company. You may attend and vote at the Meeting instead of any proxy appointed by you if you so wish.
- (b) Please indicate by inserting "X" in the appropriate box the way in which your proxy is to vote. If you do not do so, your proxy may vote or abstain as he thinks fit. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the Meeting, including any motion to adjourn the Meeting. This proxy will only be used in the event of a poll being directed or demanded.
- (c) This form of proxy must be signed by the appointor or his attorney duly authorised in writing or if the appointor is a corporation this proxy must be given under its Common Seal or be signed by an officer or attorney duly authorised in writing.
- (d) To be valid, this form of proxy duly completed and any power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited at the office of the Company's Registrars, Close Brothers Investment Limited, 12 Appold Street, London EC2A 2AW not less than 48 hours before the time appointed for holding the above Meeting or (as the case may be) adjourned Meeting.

Please detach and return in the enclosed reply paid envelope to:
Close Brothers Group (CBIL), Freeport KE 7633, 12 Appold Street, London EC2A 2AW