

Mercury Inns Group Limited (Formerly GW 154 Limited)
Financial statements
For the period from 29 January 2002 to 28 February 2003



Company no 4362325

Company information

Company registration number	4362325
Registered office	Unit 15 19/20 Amber Close Amber Business Village Aminington Tamworth Staffordshire B77 4RP
Directors	M L Butler K Thornton A B Chapman P Isaacs P Dickson
Secretary	K Thornton
Bankers	Allied Irish Bank (GB) Byron House Maid Marian Way Nottingham NG1 6HS
Solicitors	Gatcley Wareing Windsor House 3 Temple Row Birmingham B2 5JR
Auditors	Grant Thornton Chartered Accountants Registered Auditors Enterprise House 115 Edmund Street Birmingham B3 2IJ

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

Index to the financial statements

Report of the directors	3 - 5
Report of the independent auditors	6 - 7
Principal accounting policies	8 - 9
Consolidated profit and loss account	10
Consolidated balance sheet	11
Balance sheet	12
Consolidated cash flow statement	13
Notes to the financial statements	14 - 25

Report of the directors

The directors present their first report and the financial statements of the group for the period from 29 January 2002 to 28 February 2003.

Principal activities and business review

The principal activity of the group during the year was the operation and management of public houses and hotels.

The principal activity of the company was a holding company which does not trade.

The company was incorporated on 29 January 2002. On 8 April 2002 the company changed its name to Mercury Inns Group Limited.

On 2 March 2002 the company purchased the entire issued share capital of Mercury Management (UK) Limited. This purchase took the form of a share for share exchange.

On 2 March 2002 the company purchased the entire issued share capital of Mercury Inns Limited.

Results and dividends

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

In accordance with the provisions of Financial Reporting Standard No.4, the company has charged through the profit and loss account dividends on the company's cumulative preference shares of £1,434. However, as the company does not have sufficient distributable reserves in order to pay such dividends, this dividend has been credited back to the profit and loss account.

Report of the directors

Directors

The present membership of the Board is set out below. The interests of the directors in the shares of the company at 28 February 2003 and 29 January 2002 (or the date of appointment if later) were as follows:

	At 28.2.03		On incorporation (or date of appt if later)	
	Ordinary shares No.	Ordinary 'A' shares No.	Ordinary shares No.	Ordinary 'A' shares No.
M I. Butler (appointed 21.2.02)	70,836	-	-	-
K Thornton (appointed 21.2.02)	70,836	-	-	-
P Isaacs (appointed 4.3.02)	-	13,993	-	13,993
A B Chapman (appointed 4.3.02)	-	6,997	-	6,997
P Dickson (appointed 11.6.02)	-	13,993	-	13,993

GW Incorporations Limited was appointed as the first director of the company on incorporation. GW Incorporations Limited resigned as a director on 21 February 2002.

M I. Butler and K Thornton were appointed on 21 February 2002.

P Isaacs, C G Perkins and A B Chapman were appointed on 4 March 2002.

P Dickson was appointed on 11 June 2002.

C G Perkins resigned as a director on 3 March 2003.

Directors' responsibilities

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 the group at the end of the year and of the profit or loss of the group for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 7 and 8, 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 group 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. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Mercury Inns Group Limited (Formerly GW 154 Limited)
Financial statements for the period from 29 January 2002 to 28 February 2003

Report of the directors

Auditors

Grant Thornton were appointed to fill a casual vacancy and a resolution to reappoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting, in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



K Thornton
Secretary

Date : 23 July 2003

Report of the independent auditors to the members of Mercury Inns Group Limited (Formerly GW 154 Limited)

We have audited the financial statements of Mercury Inns Group Limited (Formerly GW 154 Limited) for the period from 29 January 2002 to 28 February 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 28. 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 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

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are 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 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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Report of the independent auditors to the members of Mercury Inns Group Limited (Formerly GW 154 Limited) (continued)

Basis of 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 group'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 and the group as at 28 February 2003 and of the loss for the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM**

23 July 2003

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 13) drawn up to 28 February 2003. The group reconstruction of Mercury Management (UK) Limited was accounted for as a merger under the provisions of Financial Reporting Standard No. 6.

Under these rules the results and cash flows of the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred. The comparative figures include the results of all the combining entities for the previous period and their balance sheet for the previous balance sheet date.

All other acquisitions are dealt with under the acquisition method of accounting.

The consolidated accounts for the year ended 28 February 2003 therefore consolidate the results of Mercury Management (UK) Limited for the whole of that period with the results of Mercury Inns Limited from the date of acquisition and Mercury Inns Group Limited from the date of incorporation. The comparative figures show the results and balance sheet of Mercury Management UK Limited for the year ended 28 February 2002.

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties.

Goodwill

Purchased goodwill has been capitalised and is amortised on a straight line basis over its expected useful economic life of twenty years.

Purchased goodwill is reviewed for impairment at the end of the first full financial year following its acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Mercury Inns Group Limited (Formerly GW 154 Limited)**Financial statements for the period from 29 January 2002 to 28 February 2003****Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property	-	straight line over the term of lease
Freehold Property	-	2% straight line
Plant & machinery	-	15 - 20% straight line
Fixtures & fittings	-	15 - 20% straight line
Motor vehicles	-	25 - 33% straight line
Computer equipment	-	25 - 33% straight line

Stocks

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

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been substantively enacted by the balance sheet date.

Consolidated profit and loss account

	Note	29 Jan 2002 to 28 Feb 2003 £	Year ended 28 Feb 2002 £
Turnover	1		
Continuing operations		661,987	1,088,245
Acquisitions		5,477,628	-
		<u>6,139,165</u>	<u>1,088,245</u>
Cost of sales - acquisitions		1,885,937	-
		<u>4,253,678</u>	<u>1,088,245</u>
Gross profit			
Other operating charges	2	4,233,463	1,091,771
		<u>4,233,463</u>	<u>1,091,771</u>
Operating profit/(loss)	3		
Continuing operations		(218,531)	(3,526)
Acquisitions		238,746	-
		<u>20,215</u>	<u>(3,526)</u>
Profit/(loss) on disposal of fixed assets		431,376	(5,090)
Interest receivable	6	41,955	-
Interest payable	7	(917,829)	(13,708)
		<u>(424,283)</u>	<u>(22,324)</u>
Loss on ordinary activities before taxation			
Tax on loss on ordinary activities	8	-	-
		<u>(424,283)</u>	<u>(22,324)</u>
Loss for the financial period	10		
Dividends	9	(1,434)	-
Loss transferred to reserves	23	<u>(425,717)</u>	<u>(22,324)</u>

The group has no recognised gains or losses other than the results for the year as set out above.

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

Consolidated balance sheet

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	11	177,163	191,303
Tangible assets	12	7,372,634	159,558
		<u>7,549,797</u>	<u>350,861</u>
Current assets			
Stocks	14	97,603	-
Debtors	15	1,068,107	452,102
Cash at bank and in hand		19,945	1,363
		<u>1,185,655</u>	<u>453,465</u>
Creditors: amounts falling due within one year	16	<u>(1,884,759)</u>	<u>(685,749)</u>
Net current liabilities		<u>(699,104)</u>	<u>(232,284)</u>
Total assets less current liabilities		<u>6,850,693</u>	<u>118,577</u>
Creditors: amounts falling due after more than one year	17	(6,491,615)	(39,994)
Provision for liabilities and charges	19	<u>(1,800)</u>	<u>(1,800)</u>
		<u>357,278</u>	<u>76,783</u>
Capital and reserves			
Called-up equity share capital	22	168,708	141,670
Share premium account	23	677,740	-
Profit and Loss Account	23	<u>(489,170)</u>	<u>(64,887)</u>
Shareholders' funds	24	<u>357,278</u>	<u>76,783</u>

These financial statements were approved by the directors on 23 July 2003 and are signed on their behalf by:



K Thornton

The accompanying notes form part of these financial statements.

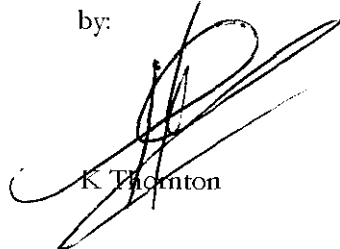
Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Investments	13	141,673	-
 Debtors : amounts due within one year	15	424,252	-
Debtors : amounts due after more than one year	15	7,353,254	-
		<u>7,777,506</u>	-
 Creditors: amounts falling due within one year	16	(589,857)	-
Net current assets		<u>7,187,649</u>	-
 Total assets less current liabilities		7,329,322	-
 Creditors: amounts falling after more than one year	17	(6,482,874)	-
		<u>846,448</u>	-
 Capital and reserves			
Called up share capital	22	168,708	-
Share premium	23	677,740	-
		<u>846,448</u>	-

These financial statements were approved by the directors on 23 July 2003 and are signed on their behalf by:



K. Thornton

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

	Note	29 Jan 2002 to 28 Feb 2003 £
Cash inflow from operating activities	25	<u>176,214</u>
Returns on investments and servicing of finance		
Interest paid		(733,298)
Interest received		41,955
Interest element of finance lease rental payments		<u>(10,364)</u>
		<u>(701,707)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets		(11,155,532)
Receipts from sales of tangible fixed assets		<u>4,198,891</u>
		<u>(6,956,641)</u>
Net cash outflow before financing		<u>(7,482,134)</u>
Financing		
Issue of shares		910,422
Expenses paid in connection with shares issued		(205,644)
Net movement in long term borrowings		6,796,545
Repayment of capital element of finance leases		<u>(77,656)</u>
		<u>7,423,667</u>
Decrease in cash	27	<u><u>(58,467)</u></u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
United Kingdom		
- continuing operations	661,987	1,088,245
- acquisitions	5,477,628	-
	<u>6,139,615</u>	<u>1,088,245</u>

2 Other operating income and charges

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Administrative expenses		
- continuing operations	880,518	1,091,771
- acquisitions	3,352,945	-
	<u>4,233,463</u>	<u>1,091,771</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Amortisation	14,140	8,318
Depreciation	194,666	78,437
Hire of plant and machinery	42,000	42,000
Other operating lease rentals	33,662	6,216
Auditors' remuneration:		
Audit fees	<u>16,500</u>	<u>4,250</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)
Financial statements for the period from 29 January 2002 to 28 February 2003

4 Directors and employees

The average number of staff employed by the group during the financial year amounted to 271 (2002 : 30).

The aggregate payroll costs of the above were:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Wages and salaries	2,193,447	600,374
Social security costs	156,651	42,026
Other pension costs	67,575	45,430
	<u>2,417,673</u>	<u>687,830</u>

5 Directors

Remuneration in respect of directors was as follows:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Emoluments receivable	315,677	171,930
Value of company pension contributions to money purchase schemes	36,600	23,710
	<u>352,277</u>	<u>195,640</u>

Emoluments of highest paid director:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Total emoluments (excluding pension contributions)	91,019	55,579
Value of company pension contributions to money purchase schemes	12,000	8,250
	<u>103,019</u>	<u>63,829</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)
 Financial statements for the period from 29 January 2002 to 28 February 2003

6 Interest receivable

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Bank interest received	<u>41,955</u>	<u>-</u>

7 Interest payable

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Interest payable on bank borrowing	733,298	-
Loan redemption premium	174,167	-
Finance charges	<u>10,364</u>	<u>13,708</u>
	<u>917,829</u>	<u>13,708</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)**Financial statements for the period from 29 January 2002 to 28 February 2003****8 Tax on profit on ordinary activities****a) Taxation**

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	-	-
Adjustment in respect of prior period	-	-
Total current tax	-	-
Deferred tax:		
Increase in deferred tax provision	-	-
Tax on profit on ordinary activities	-	-

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are explained as follows:

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Loss on ordinary activities before taxation	(424,283)	(22,324)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 - 30%)	(127,285)	(6,697)
Depreciation for the period in excess of capital allowances	(24,835)	633
Expenses not deductible for tax purposes	6,533	6,064
Tax losses not utilised	145,587	-
Total current tax	-	-

The group has unrelieved tax losses of approximately £535,000 available to offset against future taxable trading profits.

9 Dividends

	29 Jan 2002 to 28 Feb 2003	Year ended 28 Feb 2002
	£	£
Cumulative preference dividend of 14.5 pence per share	1,434	-

In accordance with the provisions of Financial Reporting Standard No.4, the company has charged through the profit and loss account dividends on the company's cumulative preference shares of £1,434. However, as the company does not have sufficient distributable reserves in order to pay such dividends, this dividend has been credited back to the profit and loss account.

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

10 Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £nil (2002 - £nil).

11 Intangible fixed assets**The group****Purchased goodwill**
£

Cost

At 1 March 2002 and at 28 February 2003

199,621

Amortisation

At 1 March 2002

8,318

Charge for the year

14,140

At 28 February 2003

22,458

Net book value

At 28 February 2003

177,163

At 28 February 2002

191,303**12 Tangible fixed assets****The group****Freehold and leasehold Property**
£**Plant & Machinery**
£**Fixtures & Fittings**
£**Motor Vehicles**
£**Computer equipment****Total**
£

Cost

At 1 March 2002

- 11,071 21,241 170,909 49,581 252,802

Additions

10,396,826 - 748,099 5,750 24,582 11,175,257

Disposals

(3,616,476) - (112,871) (141,158) - (3,870,505)

At 28 February 2003

6,780,350 11,071 656,469 35,501 74,163 7,557,554

Depreciation

At 1 March 2002

- 3,075 6,525 69,017 14,627 93,244

Charge for the year

31,070 2,461 112,041 31,714 17,380 194,666

On disposals

(11,109) - (12,105) (79,776) - (102,990)

At 28 February 2003

19,961 5,536 106,461 20,955 32,007 184,920

Net book value

At 28 February 2003

6,760,389 5,535 550,008 14,546 42,156 7,372,364

At 28 February 2002

- 7,996 14,716 101,892 34,984 159,558

Finance leases and hire purchase agreements

Included within the net book value of £7,372,364 is £29,496 (2002: £66,659) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £26,425 (2002: £26,128).

Mercury Inns Group Limited (Formerly GW 154 Limited)**Financial statements for the period from 29 January 2002 to 28 February 2003****13 Investments**

	Subsidiary undertakings £
The company	
Cost and net book value at 1 March 2002	-
Additions	141,673
Cost and net book value at 28 February 2003	<u>141,673</u>

Details of the investments which comprise the group and all of which are registered in England and Wales are as follows:

Subsidiary undertakings	Class of share capital held	Proportion held	Nature of business
Mercury Inns Limited	Ordinary £1 shares	100%	Operation of public houses
Mercury Management (UK) Limited	Ordinary £1 shares	100%	Management of public houses and hotels

14 Stocks

The group	2003 £	2002 £
Finished goods	<u>97,603</u>	<u>-</u>

15 Debtors

	Group 2003 £	2002 £	Company 2003 £	2002 £
Trade debtors	321,524	353,617	-	-
Other debtors	159,000	3,743	-	-
Amounts owed by group undertakings	-	-	7,546,430	-
Prepayments and accrued income	587,583	94,742	231,076	-
	<u>1,068,107</u>	<u>452,102</u>	<u>7,777,506</u>	<u>-</u>

Included in the above figures are the following amounts which are due after more than one year.

	Group 2003 £	2002 £	Company 2003 £	2002 £
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>7,353,254</u>	<u>-</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

16 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	681,249	116,362	511,570	-
Trade creditors	188,796	7,523	-	-
Corporation tax	4,748	4,748	-	-
Other taxation and social security	224,900	14,153	30,512	-
Amounts due under finance leases and hire purchase agreements	36,314	62,992	-	-
Payments on account	13,632	-	-	-
Other creditors	286,986	460,111	47,775	-
Accruals and deferred income	448,134	19,860	-	-
	<u>1,884,759</u>	<u>685,749</u>	<u>589,857</u>	<u>-</u>

The following liabilities disclosed under creditors falling due within one year are secured by the group:

	2003	2002
	£	£
Bank loans and overdrafts	<u>681,249</u>	<u>116,362</u>

The bank loans and overdraft are secured by a fixed and floating charge over all the assets of the group. In common with many businesses, the group is dependent upon the provision of working capital facilities from its bankers. The relationship with the bankers and the support available from group companies enable the directors to consider it appropriate to prepare the financial statements on a going concern basis.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank and other loans	4,218,707	-	4,218,707	-
Loan stock	2,264,167	-	2,264,167	-
Amounts due under finance leases and hire purchase agreements	8,741	39,994	-	-
	<u>6,491,615</u>	<u>39,994</u>	<u>6,482,874</u>	<u>-</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the group:

	2003	2002
	£	£
Bank and other loans	<u>4,218,707</u>	<u>-</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

17 Creditors: amounts falling due after more than one year (continued)

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	£	£
Bank and other loans	4,218,707	-
Loan stock	2,264,167	-
	<u>6,482,874</u>	<u>-</u>

Bank and other loans

The bank and other loans are secured by a fixed and floating charge over all assets of the group.

£251,523 of these loans are repayable in equal monthly instalments of £11,854. Interest is charged on this loan at 2% above Bank of England base rate.

£3,176,636 of these loans are repayable in equal quarterly instalments of £77,591. Interest is charged on this loan at 5.5% per annum.

£790,548 of these loans are repayable in equal quarterly instalments of £8,807. Interest is charged on this loan at 5.5% per annum.

Loan stock

The loan stock is repayable at a premium of 75% in four equal annual instalments of £914,375, starting on 4 March 2008. Interest is charged on the loan stock at 14.5% per annum.

18 Borrowing

The group	2003 £	2002 £
Within one year		
Bank and other borrowings	681,249	116,362
Finance leases	36,314	62,992
After one and within two years		
Bank and other borrowings	487,838	-
Finance leases	7,379	27,217
In more than two years but not more than five years		
Bank and other borrowings	454,865	-
Finance leases	1,362	12,777
In more than five years		
Bank and other borrowings	5,540,171	-
	<u>7,209,178</u>	<u>219,348</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

19 Provision for liabilities and charges

	Group £ 1,800	Company £ -
At 29 January 2002 and at 28 February 2003 (note 20)		

20 Deferred taxation

Deferred taxation provided for in the financial statements is set out below:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Accelerated capital allowances	8,700	1,800	-	-
Tax losses carried forward	(6,900)	-	-	-
	<u>1,800</u>	<u>1800</u>	<u>-</u>	<u>-</u>

21 Leasing commitments

At 28 February 2003 the group had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within 1 year	-	12,743	-	-
Within 2 to 5 years	42,000	44,594	42,000	7,020
	<u>42,000</u>	<u>57,337</u>	<u>42,000</u>	<u>7,020</u>

22 Share capital

	2003	2002
	£	£
Authorised share capital		
141,672 ordinary shares of £1 each	141,672	141,670
41,980 'A' ordinary shares of 1p each	420	-
166,155 'B' ordinary shares of 10p each	16,616	-
10,000 preference shares of £1 each	10,000	-
	<u>168,708</u>	<u>141,670</u>
Allotted, called up and fully paid		
141,672 ordinary shares of £1 each	141,672	141,670
41,980 'A' ordinary shares of 1p each	420	-
166,155 'B' ordinary shares of 10p each	16,616	-
10,000 preference shares of £1 each	10,000	-
	<u>168,708</u>	<u>141,670</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)**Financial statements for the period from 29 January 2002 to 28 February 2003****22 Share capital (continued)**

On incorporation of the company 2 ordinary shares of £1 each were issued.

On 2 March 2002 the following shares were issued in order to facilitate the group reconstruction:

- 141,670 ordinary shares of £1 each at par in exchange for shares in Mercury Management (UK) Limited.

On 4 March 2002 the following shares were issued to finance, in part, the acquisition of fixed assets:

- 27,987 'A' ordinary shares of 1p each at par.
- 166,155 'B' ordinary shares of 10p each for proceeds of £900,000 giving rise to a share premium reserve of £883,384.
- 10,000 preference shares of £1 each at par.

On 11 June 2002 13,993 'A' ordinary shares of 1p each were issues at par.

The ordinary shares, 'A' ordinary shares and 'B' ordinary shares rank pari passu in all respects except on sale or listing of the company.

The preference shares entitle the holder to a cumulative net cash dividend at the rate of 14.5p per share per annum, in priority to the holder of any other class of share. The arrears at 28 February 2003 were £1,434.

23 Reconciliation of movements in shareholders' funds

The group	Share premium account	Profit and loss account
	£	£
At 1 March 2002	-	(64,887)
Issue of shares	883,384	-
Cost of share issue	(205,644)	-
Loss for the financial year	-	(425,717)
Preference dividend reversed (note 9)	-	1,434
At 28 February 2003	<u>677,740</u>	<u>(489,170)</u>
The company	Share premium account	Profit and loss account
	£	£
At 1 March 2002	-	-
Issue of shares	883,384	-
Cost of share issue	(205,644)	-
Loss for the financial year	-	(1,434)
Preference dividend reversed (note 9)	-	1,434
At 28 February 2003	<u>677,740</u>	<u>-</u>

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

24 Reconciliation of movements in shareholders' funds

The group	2003 £
Loss for the financial year	(424,283)
Issue of shares	704,778
Increase in shareholders' funds	280,495
Opening shareholders' equity funds	76,783
Closing shareholders' equity funds	357,278

25 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £
Operating profit	20,215
Depreciation	194,666
Amortisation of intangible fixed assets	14,140
Increase in stocks	(97,603)
Increase in debtors	(616,005)
Increase in creditors	660,801
Net cash inflow from operating activities	176,214

26 Reconciliation of net debt

	2003 £
Decrease in cash in period	(58,467)
Cash inflow from debt and lease financing	(6,893,056)
Change in net debt resulting from cash flows	(6,951,523)
Inception of finance leases	(19,725)
Movement in net debt in the year	(6,971,248)
Net debt at 28 February 2002	(217,985)
Net debt at 28 February 2003	(7,189,233)

27 Analysis of net debt

	At 1 March 2002 £	Cash flow £	Non cash movements £	At 28 February 2003 £
Cash	1,363	18,582	-	19,945
Overdraft	(116,362)	(77,049)	-	(193,411)
	(114,999)	(58,467)	-	(173,466)
Finance lease obligations	(102,986)	77,656	(19,725)	(45,055)
Bank and other loans	-	(6,796,545)	(174,167)	(6,970,712)
	(217,985)	(6,777,356)	(193,892)	(7,189,233)

Mercury Inns Group Limited (Formerly GW 154 Limited)

Financial statements for the period from 29 January 2002 to 28 February 2003

28 Commitments

The company has given an unlimited guarantee against the bank borrowings of other group companies. The borrowings of these companies at 28 February 2003 are included in the consolidated borrowings detailed in note 18.