

Company Registration No. 5515075 (England and Wales)

BRITISH COUNTRY INNS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 24 JANUARY 2009

BRITISH COUNTRY INNS PLC

COMPANY INFORMATION

Directors

P J Mathews
A J Miller
M W Sherwood
D T Udell

Secretary

Athenaeum Secretaries Ltd

Company number

5515075

Registered office

Ampney House
Falcon Close
Quedgeley
Gloucester
GL2 4BR

Auditors

Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

BRITISH COUNTRY INNS PLC

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BRITISH COUNTRY INNS PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 24 JANUARY 2009

I am pleased to enclose the Report and Accounts for your Company for the period ended 24th January 2009 and to invite you to attend the Company's Annual General Meeting to be held at the offices of Smith & Williamson Limited, 25 Moorgate, London EC2R 6AY at 12 noon on Thursday 18th June 2009.

Performance

Despite the unnerving state of the UK economy, the constant flow of depressing business and licensed trade news, your Company has contained its overall loss for the year to £518,704 (2008:£258,156). During the year we have continued to develop the estate, with investment being completed at the Three Horseshoes and satisfactory results produced at the Wooden Fender, Walhampton Arms, George at Nettlebridge and the Plough. The fire at the Red Lion disrupted business for some time but I am pleased to say that this house is now performing well.

Profitability

- Total house trading profit (before central costs, depreciation and interest) was £205,036 (2008:£339,440 excluding Kings Arms sold in September 2008), representing 4.85% of turnover.
- The Company's most productive pub is trading at a profit of 13% of turnover and a number of pubs' profits exceed 11% of turnover.
- The Company's profitability has been affected by a number of factors including in particular delays in the completion of works to pubs undergoing refurbishment and by the effects of the general market downturn.
- Management continues to exploit the trading opportunities which exist at each site and to drive the business towards maturity.
- An overall gross profit margin of 66.1% (2008:67.3%) has been achieved. We continue to obtain the best deals we can from our suppliers and in particular to improve the gross profit margins on food through tighter management controls.
- Labour costs have increased to 39.5% (2008:37.7%) including an increase in the National Minimum Wage of 3.8%.
- Although we have suffered a massive increase in utility costs of 25%, trading expenses have been held to a 6% increase over last year.
- Central costs have been maintained at a level below last year.

There is no doubt that the overall effects of the economic downturn have had a significant impact on consumer confidence. In some respects we are fortunate in that our target audience is largely the grey pound and the family trade, which has not been affected to the same extent as the "wet led" community local.

The pub trade has been the subject of considerable adverse comment in the national and trade press, with the Government wanting to curb alcohol abuse yet not willing to challenge the supermarkets, who are selling liquor at close to cost. Yet again in the April budget the Government has increased duty. This directly affects the price of a pint in the pub but the supermarkets are largely able to absorb the increased costs and even reduce the price of some products.

Some 40 pubs close each week with tenants unable to meet their financial commitments and small free house owners unable to service loans or obtain borrowing facilities. This reduction in the number of pubs should result in an increase in the value of those remaining in the long term. The industry generally is facing challenging times which has inevitably had a knock on effect on turnover and the capital value of the individual pub.

BRITISH COUNTRY INNS PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 24 JANUARY 2009

Progress

- Through all this management have made steady progress in the development of the Company's pub estate.
- The refurbishment works to the **Three Horseshoes** were delayed for a number of reasons, particularly by the local planning authorities, but they are now completed and the outlet is starting to trade satisfactorily under a new management team.
- **The Wooden Fender, the Walhampton Arms, the George at Nettlebridge and the Plough** have achieved or exceeded their budgeted turnover.
- Turnover has been below budget at **the Red Lion and the Lion** but steps have been taken to improve performance, which is already having a positive effect in the figures for the current year.
- **The Bourne Valley and the Jester** have had unit management issues which have been addressed and there is a new management team in place at both houses.
- We propose carrying out an improvement to the parking arrangements at the **Walhampton Arms** by creating a staff car park in the area of land to the rear and so releasing additional parking facilities for customers, which is particularly needed during the busy summer trading months.
- Year to date figures confirm that the measures which have been put in place are having a positive effect on performance.

Key Performance Indicators

- Although total turnover of the estate was behind expectations, management are aware of individual problems and are addressing the issues and this is already bearing fruit in the first few weeks of the current year and we believe sales growth this year should be satisfactory.
- Gross profit margins are being maintained towards the upper end of the industry norm.
- Wage costs continue in line with industry norms.

Prospects

- Management is aware of the current trading difficulties at one or two outlets and is addressing the issues.
- Management continues to review all costs in the business, including central costs. It should be noted that the Directors do not have any benefits over and above salary.
- All food and drink supplier cost prices are reviewed continually as are utilities, refuse disposal and cleaning supplies.
- A tighter system of wage cost control has been introduced.
- Like for like sales in the first quarter of the new year are up 9.8% (excluding the Jester and Bourne Valley Inn which have had recent manager changes) and 1.1% down overall.
- We continue to develop the trading opportunities that exist throughout the estate to develop each business towards maturity.
- The quality of marketing and websites is being revised and improved.
- The weak pound and the probability of more people holidaying in the UK this year will provide the opportunity for increased accommodation sales in those houses with letting bedrooms.

Risks and Uncertainties

- The current state of the UK and world economy may result in customers reducing their leisure and eating out expenditure.
- Continued Government interference in the market which is no doubt having an effect on consumer confidence.

EIS Period End

The three year statutory period for your Enterprise Investment Scheme (EIS) shares runs out on 1st June 2009. After that date it would be possible to sell the assets of the company and return the net proceeds after all costs to shareholders.

BRITISH COUNTRY INNS PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 24 JANUARY 2009

As you will know there are now nine pubs within the portfolio. Whilst the overall performance last year was below expectations, the Company has traded through a period of acquisition, development and industry turmoil. The reasons for this are numerous but are in large part a reflection of the current state of the economy in the UK, linked to a reduction in customer expenditure on their leisure and eating out. Your Board is also aware that the refurbishment programme of a number of the pubs in the estate is now complete but that the outlets have yet to reach a trading maturity. Inevitably there have also been a number of unit management issues which have had an effect upon the trading performance of the individual outlet. Whilst management has endeavoured to address the issues and have made changes where necessary, the individual businesses have not yet reached a trading maturity.

Your Board considers that the portfolio is now in a position to achieve the objectives which have been set for the current financial year and barring any unforeseen calamities, we are confident that these are attainable.

As you will be aware the economy continues to decline, interest rates are at their lowest level ever and unemployment levels continue to rise. The market for public houses is no different from the commercial and residential markets, and has become more depressed, with values continuing to fall. Apart from the worsening state of the economy there has been continuing adverse press comments on the pub industry linked to a failure by Government to address the main causes of alcohol abuse. In addition, BERR (The Department of Business, Enterprise and Regulatory Reform) has undertaken a further review into the "tie" (tied house arrangements), which has depressed the share prices of the major leased pub companies (Punch and Enterprise Inns) and regional brewers.

The result is that there is currently a lack of any significant transactional market evidence of pub portfolio sales. The limited evidence that is available suggests that purchasers are being very selective in anything they consider buying and are prepared to cherry pick the content of any portfolio upon which they are prepared to make an offer. The reason for this can be explained by the considerable problems operators are facing. Companies are experiencing pub closures within their own estates and at the same time have to support tenants with rent and beer discounts to keep pubs open and to see tenants through the current recession.

This is such a very different picture to the one that existed at the time when your Company was formed. At that time, all the pub companies and regional brewers would have been in the market to acquire a quality portfolio of pubs such as ours. Currently the market is largely made up of speculators seeking to capitalise on the depressed state of the market, where there are a number of individuals having to sell at almost any price. There is also investor interest in quality properties where there is a lessee in situ on a long term free of tie lease.

Your Board has consulted with a number of agents who specialise in the pub market and the advice we have been given is not to offer your portfolio for sale at this time, but to continue to trade the estate for the next 18-24 months, in the anticipation that the market will improve. In addition, the estate by this time will be trading towards maturity and we will have accounts available to prove the full trading potential. At the moment the Company is loss making and the estate is not mature. Your Board would also have the opportunity to consider creating an estate with a number of pubs let on long lease.

As you may know there are three other BCI companies all operating under the Enterprise Investment Scheme. These Companies mature over the next 18 months, by which time it might be possible to offer an estate of 30 pubs to the market with a wide geographical spread, if the assets of all four BCI companies were to be combined. We believe with an improvement in the market, such an estate would have more appeal and is likely to command a premium for the whole portfolio over and above the sum of the individual pub values.

In the meantime rest assured that your Board will continue to monitor all the different options available.

BRITISH COUNTRY INNS PLC

**CHAIRMAN'S STATEMENT
FOR THE PERIOD ENDED 24 JANUARY 2009**

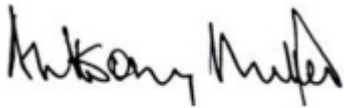
Environment

The Company recognizes the importance of its environmental responsibilities. Initiatives designed to minimize the Company's impact on the environment include recycling and reducing energy consumption wherever possible.

Management and Employees

Once again on your behalf I would like to thank the operational staff, individual licensees and their staff for all that they are doing to turn this into a successful business. They are all working extremely hard to move their businesses forward.

Finally I would encourage you to visit any one of our pubs to see for yourself how the businesses are now trading following the investment that has been made. You might also like to visit our website at www.bcipc.co.uk for further details and directions. If you require any further assistance, please contact Tax Efficient Solutions at Smith & Williamson on 0207 7131 4502.



A J Miller
Chairman

18 May 2009

BRITISH COUNTRY INNS PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 24 JANUARY 2009

The directors present their report and financial statements for the period ended 24 January 2009.

Principal activities and review of the business

The principal activity of the company is the ownership and operation of a portfolio of public houses. A review of the business is given in the Chairman's statement.

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

Results and dividends

The results for the period are set out on page 9.

Directors

The following directors have held office since 27 January 2008:

P J Mathews
A J Miller
M W Sherwood
D T Udell

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

As at the period end creditor days amounted to 14 (2008: 25).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

BRITISH COUNTRY INNS PLC

DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 24 JANUARY 2009

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

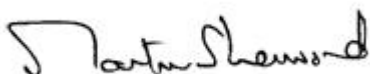
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



M W Sherwood

Director

18 May 2009

BRITISH COUNTRY INNS PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRITISH COUNTRY INNS PLC

We have audited the financial statements of British Country Inns Plc for the period ended 24 January 2009 set out on pages 9 to 19. 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 auditors' 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

BRITISH COUNTRY INNS PLC

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF BRITISH COUNTRY INNS PLC**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 January 2009 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Saffery Champness

18 May 2009

Chartered Accountants
Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

BRITISH COUNTRY INNS PLC**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 24 JANUARY 2009**

		Period ended 24 January 2009 £	Period ended 26 January 2008 £
Turnover	2	4,214,610	3,924,691
Cost of sales	3	(4,072,898)	(3,498,248)
Gross profit		141,712	426,443
Administrative expenses		(647,222)	(625,222)
Other operating income		62,450	-
Operating loss	4	(443,060)	(198,779)
Exceptional items	4	84,680	15,630
Loss on ordinary activities before interest		(358,380)	(183,149)
Other interest receivable and similar income		-	7,154
Interest payable and similar charges	5	(160,324)	(82,161)
Loss on ordinary activities before taxation		(518,704)	(258,156)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation	13	(518,704)	(258,156)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 12 to 19 form part of these financial statements.

BRITISH COUNTRY INNS PLC**BALANCE SHEET
AS AT 24 JANUARY 2009**

		2009		2008	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7		96,107		107,508
Tangible assets	8		8,294,803		9,291,950
			<u>8,390,910</u>		<u>9,399,458</u>
Current assets					
Stocks	9	123,290		137,685	
Debtors	10	68,909		85,254	
Cash at bank and in hand		76,165		69,267	
		<u>268,364</u>		<u>292,206</u>	
Creditors: amounts falling due within one year	11	<u>(2,784,830)</u>		<u>(3,298,516)</u>	
Net current liabilities			<u>(2,516,466)</u>		<u>(3,006,310)</u>
Total assets less current liabilities			<u>5,874,444</u>		<u>6,393,148</u>
Capital and reserves					
Called up share capital	12		3,743,714		3,743,714
Share premium account	13		3,177,240		3,177,240
Profit and loss account	13		(1,046,510)		(527,806)
Shareholders' funds	14		<u>5,874,444</u>		<u>6,393,148</u>

The notes on pages 12 to 19 form part of these financial statements.

Approved by the Board and authorised for issue on 18 May 2009



M W Sherwood
Director

BRITISH COUNTRY INNS PLC

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 24 JANUARY 2009**

	Notes	Period ended 24 January 2009		Period ended 26 January 2008	
		£	£	£	£
Net cash outflow from operating activities	19		(209,176)		(89,172)
Returns on investments and servicing of finance					
Interest received		-		7,154	
Interest paid		(160,324)		(82,161)	
Net cash outflow for returns on investments and servicing of finance			(160,324)		(75,007)
Capital expenditure					
Payments to acquire tangible assets		(330,833)		(1,206,202)	
Net cash inflow/(outflow) for capital expenditure			(330,833)		(1,206,202)
Acquisitions and disposals					
Acquisitions of unincorporated businesses	22	-		(2,519,050)	
Acquisition expenses		-		(104,705)	
Sale of unincorporated businesses	22	1,200,000		470,000	
Sale expenses		(2,610)		(4,708)	
Net cash outflow for acquisitions and disposals			1,197,390		(2,158,463)
Increase in cash in the period	20, 21		497,057		(3,528,844)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 24 JANUARY 2009

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

Goodwill is reviewed annually for indications of impairment as described in the tangible fixed asset accounting policy set out below.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Buildings	75 years straight line
Long Leasehold	Over the term of the lease
Fixtures, fittings & equipment	10-20% straight line

Freehold land is not depreciated.

The directors assess assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Assets are grouped into individual cash generating units which are assessed separately. Impairment occurs where the recoverable amount of the asset is less than its carrying amount. Recoverable amount is the higher of an assets net realisable value less costs to sell and its value in use. Any impairment loss is treated as a charge through the profit and loss account.

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

BRITISH COUNTRY INNS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 24 JANUARY 2009

1 Accounting policies (continued)

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Cost of sales

The company's cost of sales consist of all direct expenditure incurred in operating its public houses. This includes direct goods for trading, labour, promotional, utilities, maintenance and other consumables.

4 Operating loss	2009	2008
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	11,401	6,500
Depreciation of tangible assets	215,270	172,079
Operating lease rentals	43,421	45,570
Auditors' remuneration:		
- Audit fees	7,000	7,500
-Taxation services	6,439	1,550
	<u> </u>	<u> </u>
Exceptional items:		
Profit on disposal of unincorporated business	84,680	15,630
	<u> </u>	<u> </u>
5 Interest payable	2009	2008
	£	£
On bank loans and overdrafts	160,324	82,161
	<u> </u>	<u> </u>

BRITISH COUNTRY INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009**

6 Taxation	2009	2008
	£	£
Current tax charge	-	-
	<u> </u>	<u> </u>
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(518,704)	(258,156)
	<u> </u>	<u> </u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.33% (2008: 30.00%)	(146,949)	(77,447)
	<u> </u>	<u> </u>
Effects of:		
Depreciation add back	60,986	51,624
Capital allowances	(42,753)	(37,795)
Tax losses carried forward	112,380	68,307
Net chargeable gain	40,326	-
Profit on disposal of fixed assets	(23,990)	(4,689)
	<u> </u>	<u> </u>
	146,949	77,447
	<u> </u>	<u> </u>
Current tax charge	-	-
	<u> </u>	<u> </u>

The company has estimated losses of £1,106,910 (2008: £667,995) available to carry forward against future trading profits. Based on a future expected tax rate of 28% this represents a deferred tax asset of approximately £309,935 (2008: £187,039). A deferred tax liability arises between depreciation and capital allowances of £94,023 (2008: £70,792). The net deferred tax asset has not been included in the balance sheet as the necessary conditions for recognition have not been met.

7 Intangible fixed assets	Goodwill
	£
Cost	
At 27 January 2008 & at 24 January 2009	114,008
	<u> </u>
Amortisation	
At 27 January 2008	6,500
Charge for the period	11,401
	<u> </u>
At 24 January 2009	17,901
	<u> </u>
Net book value	
At 24 January 2009	96,107
	<u> </u>
At 26 January 2008	107,508
	<u> </u>

BRITISH COUNTRY INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009**

8 Tangible fixed assets

	Buildings	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 27 January 2008	8,729,641	779,187	9,508,828
Additions	134,191	196,642	330,833
Disposals	(1,048,904)	(116,206)	(1,165,110)
	<u>7,814,928</u>	<u>859,623</u>	<u>8,674,551</u>
At 24 January 2009			
Depreciation			
At 27 January 2008	107,678	109,200	216,878
On disposals	(40,289)	(12,111)	(52,400)
Charge for the period	97,726	108,036	215,270
	<u>165,115</u>	<u>205,125</u>	<u>379,748</u>
At 24 January 2009			
Net book value			
At 24 January 2009	<u>7,649,813</u>	<u>654,498</u>	<u>8,294,803</u>
At 26 January 2008	<u>8,397,089</u>	<u>669,987</u>	<u>9,291,950</u>

9 Stocks

	2009	2008
	£	£
Finished goods and goods for resale	<u>123,290</u>	<u>137,685</u>

10 Debtors

	2009	2008
	£	£
Other debtors	19,456	32,699
Prepayments and accrued income	49,453	52,555
	<u>68,909</u>	<u>85,254</u>

BRITISH COUNTRY INNS PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009**

11 Creditors: amounts falling due within one year	2009	2008
	£	£
Bank loans and overdrafts	2,390,806	2,880,965
Trade creditors	93,948	148,306
Taxes and social security costs	187,940	172,817
Other creditors	7,192	6,440
Accruals	104,944	89,988
	<u>2,784,830</u>	<u>3,298,516</u>

The bank overdraft is secured by way of a fixed charge over certain freehold property and associated assets held by the company.

12 Share capital	2009	2008
	£	£
Authorised		
20,000,000 Ordinary Shares of 50p each	10,000,000	10,000,000
1,000 'A' Ordinary Shares of 50p each	500	500
	<u>10,000,500</u>	<u>10,000,500</u>
Allotted, called up and fully paid		
7,486,687 Ordinary shares of 50p each	3,743,344	3,743,344
740 'A' Ordinary shares of 50p each	370	370
	<u>3,743,714</u>	<u>3,743,714</u>

The ordinary shares of 50p each and the 'A' ordinary shares of 50p each rank pari passu except for rights to income and capital where, if the returns are in excess of a specified Initial Return as detailed in the Articles of Association of the Company, 75% of any excess will be due to the holders of ordinary shares of 50p each in proportion to their holdings of those shares and 25% of any excess will be due to the holders of ordinary 'A' shares of 50p each in proportion to their holdings of those shares.

BRITISH COUNTRY INNS PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009****13 Statement of movements on reserves**

	Share premium account £	Profit and loss account £
Balance at 27 January 2008	3,177,240	(527,806)
Loss for the period	-	(518,704)
	<hr/>	<hr/>
Balance at 24 January 2009	<u>3,177,240</u>	<u>(1,046,510)</u>

14 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Loss for the financial period	(518,704)	(258,156)
Opening shareholders' funds	6,393,148	6,651,304
	<hr/>	<hr/>
Closing shareholders' funds	<u>5,874,444</u>	<u>6,393,148</u>

15 Financial commitments

At 24 January 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 24 January 2010:

	Land and buildings	
	2009 £	2008 £
Operating leases which expire:		
Within one year	43,000	43,000
	<hr/>	<hr/>

16 Directors' emoluments

	2009 £	2008 £
Emoluments for qualifying services	149,161	148,828
	<hr/>	<hr/>

BRITISH COUNTRY INNS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 24 JANUARY 2009

17 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2009	2008
	Number	Number
Directors	4	4
Operation of public houses	195	185
	<u>199</u>	<u>189</u>

Employment costs

	2009	2008
	£	£
Wages and salaries	1,667,037	1,513,900
Social security costs	126,425	115,923
	<u>1,793,462</u>	<u>1,629,823</u>

18 Related party transactions

During the year the company has sold a public house to a related company British Country Inns 3 Plc. The total consideration amounted to £1,200,000 based upon an independent professional market valuation. The directors of British Country Inns Plc are also the directors and minority shareholders in British Country Inns 3 Plc.

19 Reconciliation of operating loss to net cash outflow from operating activities

	2009	2008
	£	£
Operating loss	(443,060)	(198,779)
Depreciation of tangible assets	215,270	172,079
Amortisation of intangible assets	11,401	6,500
Decrease/(increase) in stocks	14,395	(75,523)
Decrease/(increase) in debtors	16,345	(34,092)
(Decrease)/Increase in creditors within one year	(23,527)	40,643
	<u>(209,176)</u>	<u>(89,172)</u>

BRITISH COUNTRY INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009**

20 Analysis of net funds	27 January 2008	Cash flow	Other non- cash changes	24 January 2009
	£	£	£	£
Net cash:				
Cash at bank and in hand	69,267	6,898	-	76,165
Bank overdrafts	(2,880,965)	490,159	-	(2,390,806)
	<u>(2,811,698)</u>	<u>497,057</u>	<u>-</u>	<u>(2,314,641)</u>
Net debt	<u>(2,811,698)</u>	<u>497,057</u>	<u>-</u>	<u>(2,314,641)</u>

21 Reconciliation of net cash flow to movement in net debt	2009	2008
	£	£
Increase/(decrease) in cash in the period	497,057	(3,528,844)
Movement in net debt in the period	497,057	(3,528,844)
Opening net (debt)/funds	(2,811,698)	717,146
Closing net debt	<u>(2,314,641)</u>	<u>(2,811,698)</u>

22 Acquisitions and Disposals

Acquisitions and disposals of unincorporated businesses

	2009	2009	2008	2008
Net assets acquired:	Acquisitions	Disposals	Acquisitions	Disposals
	£	£	£	£
Freehold	-	1,109,999	2,299,999	425,000
Tangible fixed assets	-	90,000	100,000	-
Stocks	-	-	5,043	-
	<u>-</u>	<u>1,199,999</u>	<u>2,405,042</u>	<u>425,000</u>
Goodwill	-	1	114,008	45,000
	<u>-</u>	<u>1,200,000</u>	<u>2,519,050</u>	<u>470,000</u>
Satisfied by:				
Cash	-	1,200,000	2,519,050	470,000
	<u>-</u>	<u>1,200,000</u>	<u>2,519,050</u>	<u>470,000</u>