

**Company Registration No. 5515075 (England and Wales)**

**BRITISH COUNTRY INNS PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JANUARY 2010**

# BRITISH COUNTRY INNS PLC

## COMPANY INFORMATION

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**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

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# BRITISH COUNTRY INNS PLC

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## **BRITISH COUNTRY INNS PLC**

### **CHAIRMAN'S STATEMENT**

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I am pleased to enclose the Report and Accounts for your Company for the period ended 30th January 2010 and to invite you to attend the Company's Annual General Meeting to be held at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY at 11.30 on 1st July 2010.

#### **Performance**

Now that the General Election is behind us, it is apparent that there are still major concerns over the state of the UK economy. Recent press reports also suggest that the licensed trade is faring little better. We must now await the forthcoming Budget on June 22nd to see what effect the proposals will have on an already overstretched Industry. The appalling weather at the beginning of January hit trade very hard and despite progress made during the poor summer of 2009 your Company was knocked off course from projected performance. Against this background your Company has increased its overall turnover this year from £3.860m (adjusted for the sale of the Kings Arms in 2008) to £4.001m and House Trading Profit has doubled to £318k. The Wooden Fender, Walhampton Arms, George at Nettlebridge and The Plough have all produced good results again this year. I am pleased to report that the performance at the Lion and the Red Lion are much improved. The Jester and the Bourne Valley however have failed to perform satisfactorily and management changes have recently been made at both outlets. These changes are already showing a benefit to the performance of the two outlets. Now that your Company is outside the EIS period, your Board have decided subsequent to the period end to let the Three Horseshoes on lease. The property is currently being marketed on the basis of a fully repairing and insuring lease, free of tie. Your Board are confident that this action will increase the profitability of this outlet.

#### **Impairment**

An impairment review process has been carried out and the resulting impairment adjustment has been taken through the profit and loss account. The process included the valuation of the pubs on a consistent basis by a professionally qualified director. Other pubs owned by the Company are valued above the book value but accounting rules do not allow the Company to take the credit of this benefit through the profit and loss account. The Company considers the most likely exit is that of a sale of the Company as a whole which would reflect the surplus at some of the pubs.

Accounting rules require the Company to look at each pub individually and charge impairment where the valuation of the pub is less than the book value, through the Profit and Loss account. The Company is unable to show the credit where market value is in excess of book value. Had the Company been able to show this surplus on tangible fixed assets, the impairment charge of £955k would have been completely eliminated.

# BRITISH COUNTRY INNS PLC

## CHAIRMAN'S STATEMENT

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### **Profitability**

- Total house trading profit (before central costs, depreciation, and interest) was £318,099,723 (2009: £141,712) representing 7.95% of turnover (2009: 3.67%).
- The most productive pub is trading at a profit of 16.4% of turnover.
- Like for like sales are up 3.6% despite the state of the economy and the adverse conditions during last year.
- Overall profitability has been affected by management issues at two pubs and by the overall downturn in the market. It is fortunate that your estate's performance has been partly cushioned from the recession on account of a significant proportion of overall turnover being derived from the sale of food. Total food sales account for 64% of the Company's business and food sales show a growth of 4.1%.
- Management continues to exploit the trading opportunities which exist at each site and to drive the business towards maturity.

As I reported last year the overall effects of the economic downturn are having a severe effect on our industry which continues to face a most difficult and challenging time. Some 40 pubs are still reported to be closing each week. Pubcos continue to support their tenants with rent concessions and other financial benefits. Despite this the industry is finding it difficult to encourage new and competent operators to enter the trade. In the longer term there will be a reduction in the overall number of pubs in the country as outlets are closed and developed for alternative uses. This will be a significant benefit to those outlets which remain.

### **Progress**

- Against this economic background your management continue to make steady progress in the development of your Company's pub estate.
- The turnovers at the Wooden Fender, the Walhampton Arms, the George at Nettlebridge, the Red Lion and the Plough have all achieved or exceeded expectation.
- The performance of the Lion is much improved over last year.
- Management have searched diligently to find a suitable couple to take over the Bourne Valley. However a change has taken place recently. Early signs are that the business is responding positively to the new team.
- The Jester has underperformed this year resulting in a change of manager. The early indications for the business are again positive.
- The car park extension at the Walhampton Arms has been completed which is a significant improvement to the parking arrangements.
- Like for like turnover figures, year on year, are 3.6 % ahead. This shows that the changes put in place by management are having a positive effect on performance.
- Director's salaries and fees were reduced by 25% from 1st June 2009 which had a beneficial effect on this year's performance. Directors did not take a 3.9% RPI increase to which they were entitled from 2nd January 2010.

# BRITISH COUNTRY INNS PLC

## CHAIRMAN'S STATEMENT

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### Key Performance Indicators

- Total turnover for the Company has shown growth over last year and the overall performance is much improved. Management is aware of the individual problems within the portfolio and has taken steps to address the issues.
- An increase in the Gross Profit margin of 1.6% has been achieved to 67.5% (2009:65.9%) in a year of increasing costs. Your Company has recently appointed Marstons as the main liquor supplier whilst still retaining a local representation on cask ale. As a result your Company is now achieving better margins on its liquor purchases. Management continue to monitor the Company's suppliers to maximise the purchasing opportunities.
- Labour costs have reduced by 2.3% to 37.2% (2009: 39.5%).
- Most controllable costs have been held or reduced.
- Utility costs have been held to a 5.6% increase despite being under pressure from the rise in global energy costs.

### Prospects

- Management will concentrate on both improving turnover across the portfolio, and controlling margins and costs.
- Like for like sales in the first quarter of the new financial year are 2.9% up on the same period last year. Management are hoping for a run of better weather throughout the summer so as to maintain this progress.
- Management continue to exploit opportunities where they exist in particular promoting the quality letting bedrooms in the three outlets where they exist.
- Numerous additional marketing initiatives have been introduced, websites upgraded and e marketing improved throughout the year.
- The Company is marketing the staff house at the Jester so as to reduce borrowings in your Company.

### Risks and Uncertainties

In addition to the issues disclosed in note 1.1 to the financial statements the following risks and uncertainties have been identified:

- The effects of the recent General Election and its impact on trade resulting from a lack of consumer confidence and uncertainty over future levels of disposable income and job security.
- The impact of proposals in both the April and forthcoming budgets.
- Recent interference in the industry by the previous Government with their proposed inquiry into the beer tie and a failure to address the issue of supermarkets continuing to sell liquor as a loss leader at prices which are little above cost.

### EIS Period End

As you are aware your Company is outside the three year statutory period under the Enterprise Investment Scheme (EIS). Your Board continues to monitor the opportunities of a possible sale of the Company.

**CHAIRMAN'S STATEMENT**

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**The Future**

In my report last year I set out a resume of the property market with particular reference to public houses. In that resume I emphasised the lack of market transactional evidence and the lack of interest amongst the major companies to pursue acquisitions particularly for a portfolio such as yours. The position remains much the same today with most companies concentrating their efforts entirely on maintaining and supporting individual licensees within their own business and offering various incentives to those licensees in financial difficulty. A number of the larger pubcos and brewery companies with significant food outlets have announced a continuing growth in food turnover amongst their branded concepts indicating their intention to dispose of some wet led outlets and to reinvest the monies into more branded food concepts. There are early indications that pub values maybe hardening, particularly in London where there has once more been some limited market activity. Elsewhere individual lessees, free house operators and a number of pub companies have fallen into financial difficulty. This has often resulted in a receivership situation caused by banks seeking repayment of their outstanding loans, and with the banks then effectively taking over control of the business. There have been a number of distressed sales usually amongst those companies with a significant proportion of tied leasehold pubs. All this is far removed from the market conditions which existed at the time of the launch of your EIS Company.

The advice we are receiving is to continue to trade the estate until the market for public houses has improved, to grow the individual businesses towards a maturity and to maintain stable unit management throughout the portfolio.

Rest assured that your Board will continue to monitor the situation and to consider all the different options available.

**Environment**

The Company recognises the importance of its environmental responsibilities. Initiatives designed to minimise 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, unit managers and their staff for all they are doing. They are all working extremely hard to move their individual businesses forward.

Finally I would encourage you to visit your pubs to see for yourself how the businesses are now trading following renovation. You might like to visit our website at [www.bciplc.co.uk](http://www.bciplc.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**

28 May 2010

## **BRITISH COUNTRY INNS PLC**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JANUARY 2010**

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The directors present their report and financial statements for the period ended 30 January 2010.

#### **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.

#### **Results and dividends**

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

#### **Directors**

The following directors have held office since 25 January 2009:

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 16 (2009: 14).

#### **Auditors**

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Saffery Champness be re-appointed will be put at a General Meeting.

**DIRECTORS' REPORT (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

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**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

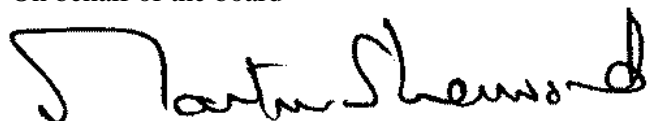
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have reviewed the company's financial position at the balance sheet date and for the period ending on the anniversary of the date of approval of these financial statements. They have considered liquidity risk, key assumptions and uncertainties. As a result of this assessment, the directors have adopted the going concern basis of accounting for the preparation of these financial statements.

**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**

28 May 2010

## **BRITISH COUNTRY INNS PLC**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH COUNTRY INNS PLC**

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We have audited the financial statements of British Country Inns Plc for the period ended 30 January 2010 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 - 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 January 2010 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the company's ability to continue as a going concern. As at the date of approval of these accounts the company is in negotiation with its bankers to renew the existing overdraft and loan facilities. No formal confirmation has been received of their ongoing intentions at this date. This together with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which could cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

**BRITISH COUNTRY INNS PLC**

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

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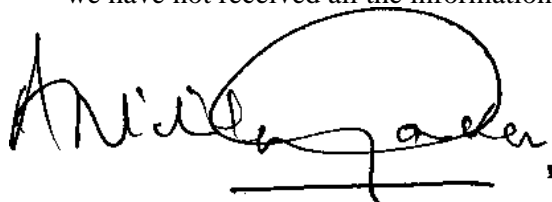
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Andrew Gaskell (Senior Statutory Auditor)  
for and on behalf of Saffery Champness**

28 May 2010

**Chartered Accountants  
Statutory Auditors**

Lion House  
Red Lion Street  
London  
WC1R 4GB

**BRITISH COUNTRY INNS PLC****PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 30 JANUARY 2010**

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		<b>Period ended 30 January 2010 £</b>	<b>Period ended 24 January 2009 £</b>
<b>Turnover</b>	<b>2</b>	4,001,132	4,214,610
Cost of sales (excluding depreciation)	<b>3</b>	(3,683,033)	(4,072,898)
<b>House trading profit</b>		318,099	141,712
Depreciation		(217,196)	(215,270)
Cost of sales - Exceptional item	<b>4</b>	(1,039,953)	-
<b>Gross loss</b>		(939,050)	(73,558)
Administrative expenses		(402,862)	(431,952)
Other operating income		-	62,450
<b>Operating loss</b>	<b>4</b>	(1,341,912)	(443,060)
Exceptional items	<b>4</b>	-	84,680
<b>Loss on ordinary activities before interest</b>		(1,341,912)	(358,380)
Interest payable and similar charges	<b>5</b>	(45,875)	(160,324)
<b>Loss on ordinary activities before taxation</b>		(1,387,787)	(518,704)
Tax on loss on ordinary activities	<b>6</b>	-	-
<b>Loss on ordinary activities after taxation</b>	<b>13</b>	(1,387,787)	(518,704)

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 21 form part of these financial statements.

Depreciation in respect of public houses has been reclassified in the current and comparative year from administrative expenses to cost of sales.

**BRITISH COUNTRY INNS PLC****BALANCE SHEET  
AS AT 30 JANUARY 2010**

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		2010		2009	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	7		-		96,107
Tangible assets	8		7,198,655		8,294,803
			<u>7,198,655</u>		<u>8,390,910</u>
<b>Current assets</b>					
Stocks	9	127,455		123,290	
Debtors	10	127,446		68,909	
Cash at bank and in hand		74,885		76,165	
		<u>329,786</u>		<u>268,364</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,041,784)</u>		<u>(2,784,830)</u>	
<b>Net current liabilities</b>			<u>(2,711,998)</u>		<u>(2,516,466)</u>
<b>Total assets less current liabilities</b>			<u>4,486,657</u>		<u>5,874,444</u>
<b>Capital and reserves</b>					
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	(2,434,297)		(1,046,510)	
<b>Shareholders' funds</b>	14	<u>4,486,657</u>		<u>5,874,444</u>	

The notes on pages 12 to 21 form part of these financial statements.

Approved by the Board and authorised for issue on 28 May 2010



M W Sherwood  
**Director**

**Company Registration No. 5515075**

**BRITISH COUNTRY INNS PLC****CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JANUARY 2010**

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		<b>30 January 2010</b>		<b>24 January 2009</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Net cash outflow from operating activities</b>	<b>19</b>		(108,912)		(209,176)
<b>Returns on investments and servicing of finance</b>					
Interest paid		(45,875)		(160,324)	
<b>Net cash outflow for returns on investments and servicing of finance</b>			(45,875)		(160,324)
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(76,295)		(330,833)	
<b>Net cash (outflow)/inflow for capital expenditure</b>			(76,295)		(330,833)
<b>Acquisitions and disposals</b>					
Sale of unincorporated businesses	<b>22</b>	-		1,200,000	
Sale expenses		-		(2,610)	
<b>Net cash outflow for acquisitions and disposals</b>			-		1,197,390
<b>Net cash (outflow)/inflow before financing</b>			(231,082)		497,057
<b>Financing</b>					
New short term bank loan		2,000,000		-	
<b>Net cash inflow from financing</b>			2,000,000		-
<b>Increase in cash in the period</b>	<b>20, 21</b>		1,768,918		497,057

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JANUARY 2010

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**1 Accounting policies**

**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention.

In common with the rest of the leisure industry the directors are aware that the Company's income is based on its customers discretionary spending. This may well be affected by the ongoing state of the economy and changes in the tax regime introduced by the new government.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance and being conservative for the reasons outlined above, show that the Company should be able to operate within the level of its current facility.

The Company meets its day to day working capital requirements through an overdraft facility. The facility is in the process of being renegotiated and currently the directors have no reason to believe the facility will not be renewed.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore in preparing the financial statements they continue to adopt the going concern basis of accounting.

**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
Fixtures, fittings & equipment	10-33% straight line

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

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**1 Accounting policies (continued)**

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.

**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.

**BRITISH COUNTRY INNS PLC****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

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<b>4</b>	<b>Operating loss</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Operating loss is stated after charging:		
	Amortisation of intangible assets	11,401	11,401
	Depreciation of tangible assets	217,196	215,270
	Operating lease rentals	45,211	43,421
	Auditors' remuneration:		
	- Audit fees	7,000	7,000
	-Other services	1,990	6,439
		<u>          </u>	<u>          </u>
	<b>Exceptional items:</b>		
	Profit on disposal of unincorporated business	-	15,630
	Impairment adjustment to carrying value of public houses and related goodwill	1,039,953	-
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Interest payable</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	45,875	160,324
		<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE PERIOD ENDED 30 JANUARY 2010**

<b>6 Taxation</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	<u>(1,387,787)</u>	<u>(518,704)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009: 28.33%)	<u>(388,580)</u>	<u>(146,949)</u>
Effects of:		
Depreciation add back	60,815	60,986
Capital allowances	(33,612)	(42,753)
Tax losses carried forward	70,191	112,380
Net chargeable gain	-	40,326
Fixed asset impairment add back	291,186	-
Profit on disposal of fixed assets	<u>-</u>	<u>(23,990)</u>
	<u>388,580</u>	<u>146,949</u>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

The company has estimated losses of £1,495,549 (2009: £1,106,910 ) 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 £418,754 (2009: £309,935). A deferred tax liability arises between depreciation and capital allowances of £85,977 (2009: £94,023). The net deferred tax asset has not been included in the balance sheet as the necessary conditions for recognition have not been met.

**BRITISH COUNTRY INNS PLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

**7 Intangible fixed assets**

	<b>Goodwill £</b>
<b>Cost</b>	
At 25 January 2009 & at 30 January 2010	114,008
<b>Amortisation</b>	
At 25 January 2009	17,901
Charge for the period	11,401
Impairment	84,706
At 30 January 2010	114,008
<b>Net book value</b>	
At 30 January 2010	-
At 24 January 2009	96,107

**8 Tangible fixed assets**

	<b>Buildings £</b>	<b>Fixtures, fittings &amp; equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 25 January 2009	7,814,928	859,623	8,674,551
Additions	2,003	74,292	76,295
At 30 January 2010	7,816,931	933,915	8,750,846
<b>Depreciation</b>			
At 25 January 2009	174,623	205,125	379,748
Charge for the period	84,759	132,437	217,196
Impairment	955,247	-	955,247
At 30 January 2010	1,214,629	337,562	1,552,191
<b>Net book value</b>			
At 30 January 2010	6,602,302	596,353	7,198,655
At 24 January 2009	7,649,813	654,498	8,294,803

**BRITISH COUNTRY INNS PLC****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

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<b>9</b>	<b>Stocks</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Finished goods and goods for resale	127,455	123,290
		<u>          </u>	<u>          </u>
<b>10</b>	<b>Debtors</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Other debtors	46,289	19,456
	Prepayments and accrued income	81,157	49,453
		<u>          </u>	<u>          </u>
		127,446	68,909
		<u>          </u>	<u>          </u>
<b>11</b>	<b>Creditors: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Bank loans and overdrafts	2,620,608	2,390,806
	Trade creditors	161,198	93,948
	Taxes and social security costs	145,937	187,940
	Other creditors	7,115	7,192
	Accruals	106,926	104,944
		<u>          </u>	<u>          </u>
		3,041,784	2,784,830
		<u>          </u>	<u>          </u>

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

A short term bank loan of £2,000,000 has replaced part of the company's overdraft facility during the year. The loan is secured by way of a fixed charge over certain freehold property and associated assets held by the company with interest being charged at 1.5% per annum over LIBOR.

**BRITISH COUNTRY INNS PLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

<b>12 Share capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
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>
 <b>Allotted, called up and fully paid</b>		
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.

**13 Statement of movements on reserves**

	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
Balance at 25 January 2009	3,177,240	(1,046,510)
Loss for the period	-	(1,387,787)
	<u>3,177,240</u>	<u>(2,434,297)</u>
Balance at 30 January 2010	<u>3,177,240</u>	<u>(2,434,297)</u>

**14 Reconciliation of movements in shareholders' funds**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Loss for the financial period	(1,387,787)	(518,704)
Opening shareholders' funds	5,874,444	6,393,148
	<u>4,486,657</u>	<u>5,874,444</u>
Closing shareholders' funds	<u>4,486,657</u>	<u>5,874,444</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010

**15 Financial commitments**

At 30 January 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 January 2011:

	<b>Land and buildings</b>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Operating leases which expire: In over five years	45,000	43,000
	<u>45,000</u>	<u>43,000</u>

**16 Directors' emoluments**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	126,693	149,161
	<u>126,693</u>	<u>149,161</u>

**17 Employees**

**Number of employees**

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

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Directors	4	4
Operation of public houses	192	195
	<u>196</u>	<u>199</u>

**Employment costs**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,511,787	1,667,037
Social security costs	109,716	126,425
	<u>1,621,503</u>	<u>1,793,462</u>

## BRITISH COUNTRY INNS PLC

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD ENDED 30 JANUARY 2010

#### 18 Related party transactions

As at 31 January 2010 a trading balance was outstanding from British Country Inns Plc 2 of £12,224 (2009: £23,061) in respect of trading expenditure incurred on behalf of the company. The directors of British Country Inns Plc are also the directors and minority shareholders in British Country Inns 2 Plc.

As at 31 January 2010 a trading balance was outstanding from British Country Inns Plc 3 of £13,423 (2009: due to - £18,726) in respect of trading expenditure incurred on behalf of the company. The directors of British Country Inns Plc are also the directors and minority shareholders in British Country Inns 3 Plc.

As at 31 January 2010 a trading balance was outstanding from British Country Inns Plc 4 of £8,806 (2009: £2,496) in respect of trading expenditure incurred on behalf of the company. The directors of British Country Inns Plc are also the directors and minority shareholders in British Country Inns 4 Plc.

19 Reconciliation of operating loss to net cash outflow from operating activities	2010	2009
	£	£
Operating loss	(1,341,912)	(443,060)
Depreciation of tangible assets	1,172,443	215,270
Amortisation of intangible assets	96,107	11,401
Increase in stocks	(4,165)	14,395
(Increase)/decrease in debtors	(58,537)	16,345
Increase/(decrease) in creditors within one year	27,152	(23,527)
<b>Net cash outflow from operating activities</b>	<b>(108,912)</b>	<b>(209,176)</b>

20 Analysis of net funds	25 January 2009	Cash flow	Other non-cash changes	30 January 2010
	£	£	£	£
Net cash:				
Cash at bank and in hand	76,165	(1,280)	-	74,885
Bank overdrafts	(2,390,806)	1,770,198	-	(620,608)
	(2,314,641)	1,768,918	-	(545,723)
Debts falling due within one year	-	(2,000,000)	-	(2,000,000)
<b>Net debt</b>	<b>(2,314,641)</b>	<b>(231,082)</b>	<b>-</b>	<b>(2,545,723)</b>

**BRITISH COUNTRY INNS PLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 30 JANUARY 2010**

<b>21 Reconciliation of net cash flow to movement in net debt</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Increase in cash in the period	1,768,918	497,057
Cash inflow from increase in debt	(2,000,000)	-
	<u>                    </u>	<u>                    </u>
<b>Movement in net debt in the period</b>	(231,082)	497,057
Opening net debt	(2,314,641)	(2,811,698)
	<u>                    </u>	<u>                    </u>
<b>Closing net debt</b>	<u><u>(2,545,723)</u></u>	<u><u>(2,314,641)</u></u>

**22 Acquisitions and Disposals**

**Acquisitions and disposals of unincorporated businesses**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Net assets acquired:	<b>Acquisitions</b>	<b>Disposals</b>	<b>Acquisitions</b>	<b>Disposals</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Freehold	-	-	-	1,109,999
Tangible fixed assets	-	-	-	90,000
Stocks	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	-	-	1,199,999
Goodwill	-	-	-	1
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>1,200,000</u>
Satisfied by:				
Cash	-	-	-	1,200,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>