

Company Registration No. 5515075 (England and Wales)

BRITISH COUNTRY INNS PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2006

6

BRITISH COUNTRY INNS PLC

COMPANY INFORMATION

Directors	P J Mathews (Appointed 19 December 2005) A J Miller (Appointed 19 December 2005) M W Sherwood (Appointed 19 December 2005) D T Udell (Appointed 19 December 2005)
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

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JANUARY 2006

The directors present their report and financial statements for the period ended 31 January 2006.

Principal activities and review of the business

The company was incorporated on 21 July 2005 and re-registered as a plc on 16 December 2005. On 21 December 2005 the company commenced offers for subscription to raise up to £11.7 million under the Enterprise Investment Scheme. The principal activity of the company will be the ownership and operation of a portfolio of public houses. The company has not traded during the period.

Results and dividends

The results for the period are set out on page 5.

Future developments

Since the balance sheet date the company has raised approximately £7,500,000 of funds under the offers for subscription dated 21 December 2005. The company has acquired four freehold public houses for consideration of approximately £4m and has begun trading in line with budget. The company expects to acquire further public houses in the near future.

Directors

The following directors have held office since 21 July 2005:

P J Mathews	(Appointed 19 December 2005)
A J Miller	(Appointed 19 December 2005)
M W Sherwood	(Appointed 19 December 2005)
D T Udell	(Appointed 19 December 2005)
TLT Directors Ltd	(Appointed 21 July 2005 and resigned 3 January 2006)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of 50p each	
	31 January 2006	21 July 2005
P J Mathews	35,660	-
A J Miller	27,940	-
M W Sherwood	-	-
D T Udell	35,660	-

	'A' Ordinary Shares of 50p each	
	31 January 2006	21 July 2005
P J Mathews	340	-
A J Miller	60	-
M W Sherwood	-	-
D T Udell	340	-

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**DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 31 JANUARY 2006**

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.

Auditors

Saffery Champness were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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.

So far as the directors are aware, there is no relevant audit information (as defined by Section 243ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


.....
D T Udell

Director

29/08/2006
.....

BRITISH COUNTRY INNS PLC

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

We have audited the financial statements on pages 5 to 10. These financial statements have been prepared in accordance with the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

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. We also 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 transactions with the company is not disclosed.

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 MEMBERS 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 31 January 2006 and of its loss for the period then ended; and

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

Chartered Accountants
Registered Auditors

29 August 2006

Lion House
Red Lion Street
London
WC1R 4GB

BRITISH COUNTRY INNS PLC

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 JANUARY 2006**

	Notes	2006 £
Administrative expenses		(2,500)
Loss on ordinary activities before taxation	2	(2,500)
Tax on loss on ordinary activities	3	-
Loss on ordinary activities after taxation	6	(2,500)

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 8 to 10 form part of these financial statements.

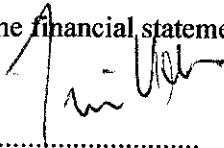
BRITISH COUNTRY INNS PLC

BALANCE SHEET
AS AT 31 JANUARY 2006

	Notes	2006 £	£
Current assets			
Cash at bank and in hand		293,750	
Creditors: amounts falling due within one year	4	<u>(283,750)</u>	
Total assets less current liabilities			<u>10,000</u>
Capital and reserves			
Called up share capital	5		12,500
Profit and loss account	6		<u>(2,500)</u>
Shareholders' funds - equity interests	7		<u>10,000</u>

The notes on pages 8 to 10 form part of these financial statements.

The financial statements were approved by the board on 29/01/2006


.....
D T Udell
Director

BRITISH COUNTRY INNS PLC

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JANUARY 2006**

	Notes	£	2006 £
Net cash inflow from operating activities	10		<u>281,250</u>
Net cash inflow before financing			281,250
Financing			
Issue of ordinary share capital		12,500	
Net cash inflow from financing		<u>12,500</u>	12,500
Increase in cash in the period	11, 12		<u><u>293,750</u></u>

BRITISH COUNTRY INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 2006**

1	Accounting policies	
1.1	Accounting convention	
	The financial statements are prepared under the historical cost convention.	
2	Operating loss	2006
		£
	Operating loss is stated after charging:	
	Auditors' remuneration	2,500
		<u>2,500</u>
3	Taxation	2006
		£
	Current tax charge	-
		<u>-</u>
	Factors affecting the tax charge for the period	
	Loss on ordinary activities before taxation	(2,500)
		<u>(2,500)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00%	(475)
	Effects of:	
	Tax losses carried forward	475
		<u>475</u>
	Current tax charge	-
		<u>-</u>
4	Creditors: amounts falling due within one year	2006
		£
	Other creditors	281,250
	Accruals	2,500
		<u>283,750</u>
		<u>283,750</u>

BRITISH COUNTRY INNS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 JANUARY 2006

5 Share capital	2006
	£
Authorised	
20,000,000 Ordinary Shares of 50p each	10,000,000
1,000 'A' Ordinary Shares of 50p each	500
	<hr/>
	10,000,500
	<hr/> <hr/>
 Allotted, called up and fully paid	
99,260 Ordinary shares of £0.50 each, paid up to 12.5 pence per share	12,407
740 'A' Ordinary shares of £0.50 each, paid up to 12.5 pence per share	93
	<hr/>
	12,500
	<hr/> <hr/>

The company issued 1 ordinary share of £1 each on incorporation. On 16 December 2005 the company increased its authorised share capital to £10,000,500 split into 20,000,000 ordinary shares of £0.50 each and 1,000 'A' ordinary shares of £0.50 each. On the same date the company issued 738 'A' ordinary shares of £0.50 each and 99,260 ordinary shares of £0.50 each, all one quarter paid up.

For details of share issues since the period end see note 9.

6 Statement of movements on profit and loss account	Profit and loss account £
Retained loss for the period	(2,500)
	<hr/> <hr/>
7 Reconciliation of movements in shareholders' funds	2006 £
Loss for the financial period	(2,500)
Proceeds from issue of shares	12,500
	<hr/>
Net addition to shareholders' funds	10,000
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	10,000
	<hr/> <hr/>

BRITISH COUNTRY INNS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 31 JANUARY 2006

8 Employees

Number of employees

There were no employees during the period apart from the directors.

9 Post balance sheet events

Since the balance sheet date the company has issued a further 7,387,427 ordinary shares of £0.50 each at £1 per share.

In addition the company has acquired four freehold pubs for total consideration of approximately £4m.

10 Reconciliation of operating loss to net cash inflow from operating activities	2006
	£
Operating loss	(2,500)
Increase in creditors within one year	283,750
	<hr/>
Net cash inflow from operating activities	281,250
	<hr/> <hr/>

11 Analysis of net funds	21 July 2005	Cash flow	31 January
			2006
	£	£	£
Net cash:			
Cash at bank and in hand	-	293,750	293,750
	<hr/>	<hr/>	<hr/>
Net funds	-	293,750	293,750
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Reconciliation of net cash flow to movement in net funds	2006
	£
Increase in cash in the period	293,750
	<hr/>
Movement in net funds in the period	293,750
Opening net debt	-
	<hr/>
Closing net funds	293,750
	<hr/> <hr/>