

**Company Registration No. 05915350 (England and Wales)**

**BRITISH COUNTRY INNS 2 PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 24 JANUARY 2009**

# BRITISH COUNTRY INNS 2 PLC

## COMPANY INFORMATION

---

**Directors**

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

**Secretary**

Athenaeum Secretaries Ltd

**Company number**

05915350

**Registered office**

Ampney House  
Falcon Close  
Quedgeley  
Gloucestershire  
GL2 4BR

**Auditors**

Saffery Champness  
Lion House  
Red Lion Street  
London  
WC1R 4GB

---

# BRITISH COUNTRY INNS 2 PLC

## CONTENTS

---

	<b>Page</b>
Chairman's statement	1 - 3
Directors' report	4 - 5
Independent auditors' report	6 - 7
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11 - 20

---

## **BRITISH COUNTRY INNS 2 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 24<sup>th</sup> 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 11.30am on Thursday 18<sup>th</sup> 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 to £645,208 (2008:£207,920). During the year we have continued to develop the estate with investment being completed at the Woodfalls Inn, the Inn at Sampford, the Old Barn Owl Inn, the Pelican Inn and the acquisition and refurbishment of the George at Donyatt.

#### **Profitability**

- Total House trading loss (before central costs, depreciation and interest) was £42,381 (2008:£10,828 profit), representing -1.5% of turnover.
- The Company's most productive pub is trading at a profit of 13.5% 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 each business towards maturity.
- An overall gross profit margin of 63.1% (2008:63.2%) has been achieved. We continue to negotiate the best deals we can from our suppliers and in particular to improve the gross profit margins on food through tighter management controls.
- As a result of refurbishments labour costs have increased to 41.4% of turnover (2008:40.5%) including an increase in the National Minimum Wage of 3.8%.
- Utility costs have more than doubled in the year, mainly through redevelopments coming on line and two new houses (Pelican Inn and the George at Donyatt) bought during the year.
- The addition of new units and a full year's trade in 6 houses has increased accountancy costs which are responsible for the bulk of the increase in central costs.

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 2 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 **Old Barn Owl and the Pelican** have been completed and the outlets are trading satisfactorily in their improved format.
- **The Huntspill Arms and the Pelican** have performed well.
- Turnover at **the Lime Kiln and Woodfalls** as a result of management issues and development work and both have now been resolved.
- **Both the Ponda Rosa and the Inn at Sampford**, which are the two houses with the greatest trading potential, have had unit management issues. Following the completion of major redevelopment a new management team is now in situ at the Inn at Sampford where turnover is already showing an improvement. Management performance at the Ponda Rosa is being closely monitored and is now showing an improvement.
- **The George** has had a minor refurbishment and the trade is showing a steady improvement.

#### Key Performance Indicators

- Although total turnover of the estate was below expectations management are aware of individual problems and are addressing the issues which are already bearing fruit in the first few weeks of the current year and the 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 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.
- Excluding the Ponda Rosa, which has had management problems, like for like sales in whole of the estate in the first quarter of the new year are down 3.8%. However, the majority of houses are trading to expectation.
- 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.

#### 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.

## BRITISH COUNTRY INNS 2 PLC

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

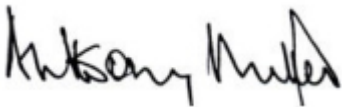
---

#### 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 make this into a successful business. They are all working extremely hard to move their businesses forward.

Finally I would encourage you to visit anyone 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.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

18 May 2009

## **BRITISH COUNTRY INNS 2 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.

#### **Results and dividends**

The results for the period are set out on page 8.

#### **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 the 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 Creditors Days amount to 22 days (2008: 43 days).

#### **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 2 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 2 PLC**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRITISH COUNTRY INNS 2 PLC**

---

We have audited the financial statements of British Country Inns 2 PLC for the period ended 24 January 2009 set out on pages 8 to 20. 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 2 PLC**

**INDEPENDENT AUDITORS' REPORT (continued)  
TO THE SHAREHOLDERS OF BRITISH COUNTRY INNS 2 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 2 PLC****PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 24 JANUARY 2009**

---

		<b>Period ended 24 January 2009 £</b>	<b>Period ended 26 January 2008 £</b>
<b>Turnover</b>	<b>2</b>	2,847,306	1,366,489
Cost of sales	<b>3</b>	(3,076,467)	(1,407,906)
<b>Gross loss</b>		(229,161)	(41,417)
Administrative expenses		(394,249)	(434,364)
<b>Operating loss</b>	<b>4</b>	(623,410)	(475,781)
Exceptional items	<b>4</b>	-	(25,163)
<b>Loss on ordinary activities before interest</b>		(623,410)	(500,944)
Investment income	<b>5</b>	-	54,651
Other interest receivable and similar income		8,728	238,373
Interest payable and similar charges	<b>6</b>	(30,526)	-
<b>Loss on ordinary activities before taxation</b>		(645,208)	(207,920)
Tax on loss on ordinary activities	<b>7</b>	-	-
<b>Loss on ordinary activities after taxation</b>	<b>15</b>	(645,208)	(207,920)

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

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

The notes on pages 11 to 20 form part of these financial statements.


**BRITISH COUNTRY INNS 2 PLC****BALANCE SHEET  
AS AT 24 JANUARY 2009**

---

		<b>2009</b>		<b>2008</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Intangible assets	<b>8</b>	326,599		239,199	
Tangible assets	<b>9</b>	7,584,812		5,229,038	
		<u>7,911,411</u>		<u>5,468,237</u>	
<b>Current assets</b>					
Stocks	<b>11</b>	96,168		59,923	
Debtors	<b>12</b>	71,398		86,430	
Cash at bank and in hand		61,061		1,612,285	
		<u>228,627</u>		<u>1,758,638</u>	
<b>Creditors: amounts falling due within one year</b>	<b>13</b>	<u>(1,731,118)</u>		<u>(172,747)</u>	
<b>Net current (liabilities)/assets</b>		<u>(1,502,491)</u>		<u>1,585,891</u>	
<b>Total assets less current liabilities</b>		<u>6,408,920</u>		<u>7,054,128</u>	
<b>Capital and reserves</b>					
Called up share capital	<b>14</b>	3,922,457		3,922,457	
Share premium account	<b>15</b>	3,339,591		3,339,591	
Profit and loss account	<b>15</b>	(853,128)		(207,920)	
<b>Shareholders' funds</b>	<b>16</b>	<u>6,408,920</u>		<u>7,054,128</u>	

The notes on pages 11 to 20 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 2 PLC**

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

	Notes	Period ended 24 January 2009		Period ended 26 January 2008	
		£	£	£	£
<b>Net cash outflow from operating activities</b>	<b>19</b>		(278,365)		(347,660)
<b>Returns on investments and servicing of finance</b>					
Interest received		8,728		238,373	
Interest paid		(30,526)		-	
<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>			(21,798)		238,373
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(909,907)		(797,265)	
<b>Net cash (outflow)/inflow for capital expenditure</b>			(909,907)		(797,265)
<b>Acquisitions and disposals</b>					
Purchase of unincorporated businesses	<b>22</b>	(1,690,000)		(4,278,950)	
Purchase of subsidiary undertaking	<b>22</b>	-		(933,692)	
Acquisition expenses		(68,648)		(153,034)	
Sale of unincorporated businesses	<b>22</b>	-		625,000	
Sale expenses		-		(2,535)	
<b>Net cash outflow for acquisitions and disposals</b>			(1,758,648)		(4,743,211)
<b>Net cash (outflow)/inflow before financing</b>			(2,968,718)		(5,649,763)
<b>Financing</b>					
Issue of ordinary share capital		-		7,844,914	
Cost of share issue		-		(582,866)	
<b>Net cash (outflow)/inflow from financing</b>			-		7,262,048
<b>(Decrease)/increase in cash in the period</b>	<b>20, 21</b>		(2,968,718)		1,612,285

**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:

Land and buildings Freehold	75 years straight line
Fixtures, fittings & equipment	10-20% straight line

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 Stock**

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

**1.7 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.

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

**1 Accounting policies** **(continued)**

**1.8 Group accounts**

The financial statements present information about the Company as an individual undertaking and not about its group. Consolidated financial statements have not been prepared on the basis that Dog House Inns Limited, the only subsidiary, has been dormant from acquisition, the net assets have been hived up into the company and as at the year end is in the process of being liquidated.

**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, depreciation of tangible fixed assets and other consumables.

<b>4 Operating loss</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Operating loss is stated after charging:		
Amortisation of intangible assets	38,600	24,503
Depreciation of tangible assets	186,781	58,274
Auditors' remuneration:		
- Audit fees	7,000	7,500
- Other services pursuant to such legislation	-	4,500
- Other services	3,045	950
	<u>          </u>	<u>          </u>
<b>Exceptional items:</b>		
Write down of investment	-	765,989
Write off of subsidiary loan account	-	(711,338)
Profit on disposal of public house	-	(29,488)
	<u>          </u>	<u>          </u>
<b>5 Investment income</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Income from shares in group undertakings	-	54,651
	<u>          </u>	<u>          </u>

**BRITISH COUNTRY INNS 2 PLC**

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

<b>6 Interest payable</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	30,526	-
	<u>30,526</u>	<u>-</u>
<b>7 Taxation</b>	<b>2009</b>	<b>2008</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	(645,208)	(207,920)
	<u>(645,208)</u>	<u>(207,920)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.33% (2008: 30%)	(182,787)	(62,376)
	<u>(182,787)</u>	<u>(62,376)</u>
Effects of:		
Depreciation add back	60,352	20,889
Capital allowances	(56,324)	(64,928)
Tax losses carried forward	178,759	106,760
Chargeable disposals	-	8,501
Dividends and distributions received	-	(16,395)
Profit on disposal of fixed assets	-	(8,846)
Write down of fixed asset investment	-	16,395
	<u>182,787</u>	<u>62,376</u>
<b>Current tax charge</b>	-	-
	<u>-</u>	<u>-</u>

The company has estimated trading losses of £1,015,515 (2008: £355,866) available to carry forward against future trading profits. Based on a future expected tax rate of 28% this represents a deferred tax asset of £284,344 (2008: £99,642). A deferred liability arises between depreciation and capital allowances of £67,606 (2008: £51,812). 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 2 PLC**

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

**8 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 27 January 2008	263,702
Additions	126,000
	<hr/>
At 24 January 2009	389,702
	<hr/>
<b>Amortisation</b>	
At 27 January 2008	24,503
Charge for the period	38,600
	<hr/>
At 24 January 2009	63,103
	<hr/>
<b>Net book value</b>	
At 24 January 2009	326,599
	<hr/> <hr/>
At 26 January 2008	239,199
	<hr/> <hr/>

**9 Tangible fixed assets**

	<b>Land and buildings Freehold</b>	<b>Fixtures, fittings &amp; equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 27 January 2008	4,792,414	494,898	5,287,312
Additions	2,057,911	484,644	2,542,555
	<hr/>	<hr/>	<hr/>
At 24 January 2009	6,850,325	979,542	7,829,867
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 27 January 2008	25,460	32,814	58,274
Charge for the period	67,062	119,719	186,781
	<hr/>	<hr/>	<hr/>
At 24 January 2009	92,522	152,533	245,055
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 24 January 2009	6,757,803	827,009	7,584,812
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 26 January 2008	4,766,954	462,084	5,229,038
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**BRITISH COUNTRY INNS 2 PLC**

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

**10 Fixed asset investments**

	<b>Shares in subsidiary undertakings £</b>
<b>Cost</b>	
At 27 January 2008 & at 24 January 2009	765,989
<b>Provisions for diminution in value</b>	
At 27 January 2008 & at 24 January 2009	765,989
<b>Net book value</b>	
At 24 January 2009	-
At 26 January 2008	-

**Holdings of more than 20%**

The company holds more than 20% of the share capital of the following companies:

<b>Company</b>	<b>Country of registration or incorporation</b>	<b>Class</b>	<b>Shares held %</b>
<b>Subsidiary undertakings</b>			
Doghouse Inns Limited	England & Wales	Ordinary	100.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	<b>Principal activity</b>	<b>Capital and reserves 2009 £</b>	<b>Profit/(loss) for the year 2009 £</b>
Doghouse Inns Limited	Dormant	-	-

Formal procedures have been implemented to liquidate the subsidiary (Please see note 3). This was originally purchased in order to acquire the Lime Kiln Inn in 2006. On acquisition the trade and assets were hived up into the company and has been dormant since this date.

<b>11 Stocks</b>	<b>2009 £</b>	<b>2008 £</b>
Finished goods and goods for resale	96,168	59,923

**BRITISH COUNTRY INNS 2 PLC**

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

---

<b>12 Debtors</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Other debtors	14,062	47,396
Prepayments and accrued income	57,336	39,034
	<hr/>	<hr/>
	71,398	86,430
	<hr/> <hr/>	<hr/> <hr/>

<b>13 Creditors: amounts falling due within one year</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	1,417,494	-
Trade creditors	110,419	80,890
Taxes and social security costs	80,058	29,887
Other creditors	46,517	19,695
Accruals and deferred income	76,630	42,275
	<hr/>	<hr/>
	1,731,118	172,747
	<hr/> <hr/>	<hr/> <hr/>

**BRITISH COUNTRY INNS 2 PLC**

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

<b>14 Share capital</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
20,000,000 Ordinary of 50p each	10,000,000	10,000,000
1,000 A Ordinary of 50p each	500	500
	<u>10,000,500</u>	<u>10,000,500</u>
<b>Allotted share capital</b>		
7,914,174 Ordinary of 50p each	3,957,087	3,957,087
740 A Ordinary of 50p each	370	370
	<u>3,957,457</u>	<u>3,957,457</u>
<b>Called up and paid share capital</b>		
7,844,174 Ordinary of 50p each	3,922,087	3,922,087
740 A Ordinary of 50p each	370	370
	<u>3,922,457</u>	<u>3,922,457</u>

As at the period end 99,260 Ordinary shares held by the directors had only been called by the company to a value of 29.48p. There is currently no formal timetable for the company to call the outstanding balance.

The ordinary shares of £0.50 each and the 'A' ordinary shares of £0.50 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 £0.50 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 £0.50 each in proportion to their holdings of those shares.

**15 Statement of movements on reserves**

	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
Balance at 27 January 2008	3,339,591	(207,920)
Loss for the period	-	(645,208)
	<u>3,339,591</u>	<u>(853,128)</u>
Balance at 24 January 2009	<u>3,339,591</u>	<u>(853,128)</u>

**BRITISH COUNTRY INNS 2 PLC**

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

<b>16 Reconciliation of movements in shareholders' funds</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Loss for the financial period	(645,208)	(207,920)
Proceeds from issue of shares	-	7,844,914
Cost of share issue written off to share premium account	-	(582,866)
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(645,208)	7,054,128
Opening shareholders' funds	7,054,128	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>6,408,920</u>	<u>7,054,128</u>

<b>17 Directors' emoluments</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	148,030	191,324
	<hr/>	<hr/>

**18 Employees**

**Number of employees**

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

	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
Directors	4	4
Operation of public houses	160	69
	<hr/>	<hr/>
	164	73
	<hr/>	<hr/>

**Employment costs**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,251,807	735,427
Social security costs	89,564	55,302
	<hr/>	<hr/>
	<u>1,341,371</u>	<u>790,729</u>

BRITISH COUNTRY INNS 2 PLC

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

<b>19</b>	<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		<b>2009</b>	<b>2008</b>	
			£	£	
	Operating loss		(623,410)	(475,781)	
	Depreciation of tangible assets		186,781	58,274	
	Amortisation of intangible assets		38,600	24,503	
	Increase in stocks		(17,295)	(40,973)	
	Decrease/(increase) in debtors		(39,619)	(86,430)	
	Increase in creditors within one year		140,877	172,747	
	<b>Net cash outflow from operating activities</b>		<u>(314,066)</u>	<u>(347,660)</u>	
<b>20</b>	<b>Analysis of net (debt)/funds</b>	<b>27 January 2008</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>24 January 2009</b>
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,612,285	(1,551,224)	-	61,061
	Bank overdrafts	-	(1,417,494)	-	(1,417,494)
		<u>1,612,285</u>	<u>(2,968,718)</u>	<u>-</u>	<u>(1,356,433)</u>
	Net funds/(debt)	<u>1,612,285</u>	<u>(2,968,718)</u>	<u>-</u>	<u>(1,356,433)</u>
<b>21</b>	<b>Reconciliation of net cash flow to movement in net (debt)/funds</b>		<b>2009</b>	<b>2008</b>	
			£	£	
	(Decrease)/increase in cash in the period		(2,968,718)	1,612,285	
	<b>Movement in net (debt)/funds in the period</b>		<u>(2,968,718)</u>	<u>1,612,285</u>	
	Opening net funds		1,612,285	-	
	<b>Closing net (debt)/funds</b>		<u>(1,356,433)</u>	<u>1,612,285</u>	

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

22 Acquisitions and Disposals

Acquisitions and disposals of unincorporated businesses

	2009	2009	2008	2008
	Acquisitions	Disposals	Acquisitions	Disposals
	£	£	£	£
Net assets acquired:				
Freehold property	1,474,999	-	3,847,498	560,000
Tangible fixed assets	89,000	-	243,999	25,000
Stocks	-	-	18,950	-
	-----	-----	-----	-----
	1,563,999	-	4,110,447	585,000
Goodwill	126,001	-	168,503	40,000
	-----	-----	-----	-----
	1,690,000	-	4,278,950	625,000
	=====	=====	=====	=====
Satisfied by:				
Cash	1,690,000	-	4,278,950	625,000
	=====	=====	=====	=====