

Company Registration No. 05915350 (England and Wales)

BRITISH COUNTRY INNS 2 PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JANUARY 2010

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

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BRITISH COUNTRY INNS 2 PLC

CHAIRMAN'S STATEMENT

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 11.00 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 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 £2.847m to £3.090m and House Trading Profit has improved by £220k.

The Lime Kiln, the Huntspill, and the Pelican have all produced excellent results this year. I am pleased to report that the performance at the Beambridge Inn is much improved, reflecting the change of management and the recent improvements to the trading areas. We are expecting even better results this year. The George has shown a significant improvement in its performance, with better results expected this year. Following a change of management in July 2009, the performance of the Ponda Rosa has continued to improve. A new food offer has been launched at the Ponda Rosa recently and is having a positive effect. Whilst Woodfalls is trading at a profit, management recognise the business has considerable further trade potential and intend to introduce a new steak house menu. Now that your Company is outside the three year statutory period required under the Enterprise Investment Scheme (EIS), terms have been agreed to let the Old Barn Owl on a 20 year lease. This will mean that the Company will enjoy a net rental income from the property this year together with further head office cost savings.

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 net 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 over tangible fixed assets of £74k, the impairment charge would have reduced to £731k.

BRITISH COUNTRY INNS 2 PLC

CHAIRMAN'S STATEMENT

Profitability

- Total house trading profit (before central costs, depreciation, and interest) was £178,247 (2009: loss £42,380) representing 5.8% of turnover (2009: -1.5%).
- The most productive pub is trading at a profit of 19.1% of turnover.
- Like for like sales are up 4.3% despite the state of the economy and the adverse weather conditions during the 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 since a significant proportion of overall turnover is derived from the sale of food. Total food sales account for 63% of the Company's business and food sales show growth in turnover of 9.6%.
- 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 have 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 of significant benefit to those outlets which remain.

Progress

- Against this economic background your management continue to make steady progress in the development of the Company's pub estate.
- The turnovers at the Lime Kiln, the Beambridge, the Huntspill and the Pelican have all achieved or exceeded expectation.
- The performance of Woodfalls and the George are much improved over last year.
- An area of land adjoining the Lime Kiln has been acquired for possible future trade development.
- Like for like turnover figures, year on year, are 4.3% ahead. This shows that the changes put in place are having a positive effect on performance.
- Director's salaries were reduced by 25% from 1st February 2010. Directors did not take a 3.9% RPI increase to which they were entitled from 2nd January 2010. This will have a beneficial effect on this year's performance.

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 1.3% has been achieved to 64.3% (2009: 63%) 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 liquor purchases. Management continue to monitor the Company's suppliers to maximise the purchasing opportunities.
- Labour costs have been reduced by 4.3% to 37.1% (2009:41.4)
- Most other controllable costs have been held or reduced.
- Utility costs have been held to a 7.5% despite being under pressure from the rise in global energy costs.

BRITISH COUNTRY INNS 2 PLC

CHAIRMAN'S STATEMENT

Prospects

- Management will concentrate on improving turnover throughout the portfolio, and controlling margins and costs.
- Like for like sales in the first quarter of the new financial year are 28.4% (£168,000) 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. During the 3 year EIS period letting bedrooms have not been heavily promoted as this income is non-qualifying for EIS purposes. Now that the EIS period has ended rooms marketing will be increased at the four houses which have this facility.
- Numerous additional marketing initiatives have been introduced, websites upgraded and e marketing improved throughout the year.

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 effect 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

Your Company is now outside the three year statutory period under the Enterprise Investment Scheme (EIS) as from 6th January 2010. From that date your Board has been able to monitor any opportunity that arises for a possible sale of the Company.

The Future

Last year your Board carried out a review of the property market with particular reference to public houses. That review confirmed that there was a lack of market transactional evidence of the sale of portfolios of public houses together with a lack of interest amongst the major operators to consider acquisitions particularly for a portfolio such 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 individual 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, with the bank 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 individual businesses towards a maturity and to maintain stable unit management throughout the portfolio.

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CHAIRMAN'S STATEMENT

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, individual licensees 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 one of our pubs to see for yourself how the businesses are now trading following the investment which has been made. You might like to visit our website at www.bcipcl.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 2 PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JANUARY 2010

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 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 23 days (2009: 22 days).

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.

BRITISH COUNTRY INNS 2 PLC

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

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 2 PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH COUNTRY INNS 2 PLC

We have audited the financial statements of British Country Inns 2 PLC for the period ended 30 January 2010 set out on pages 9 to 22. 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 2 PLC

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BRITISH COUNTRY INNS 2 PLC**

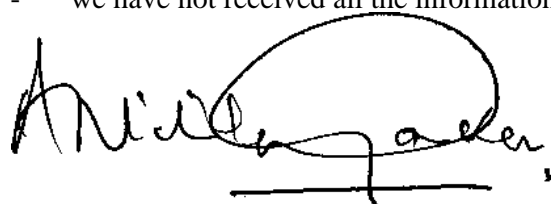
Opinion on other matter prescribed by the Companies Act 2006

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 2 PLC**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 JANUARY 2010**

		Period ended 30 January 2010 £	Period ended 24 January 2009 £
Turnover	2	3,089,939	2,847,306
Cost of sales (excluding depreciation)	3	(2,911,692)	(2,889,686)
House trading profit/(loss)		178,247	(42,380)
Depreciation		(214,418)	(186,781)
Cost of sales - Exceptional item	4	(914,818)	-
Gross loss		(950,989)	(229,161)
Administrative expenses		(483,727)	(394,249)
Operating loss	4	(1,434,716)	(623,410)
Other interest receivable and similar income		22	8,728
Interest payable and similar charges	5	(50,015)	(30,526)
Loss on ordinary activities before taxation		(1,484,709)	(645,208)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation	14	<u>(1,484,709)</u>	<u>(645,208)</u>

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.

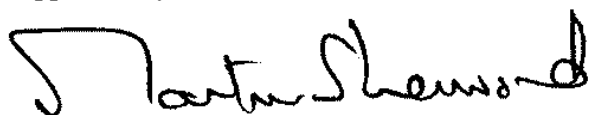
The notes on pages 12 to 22 form part of these financial statements.

BRITISH COUNTRY INNS 2 PLC**BALANCE SHEET
AS AT 30 JANUARY 2010**

		2010		2009	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7	178,032		326,599	
Tangible assets	8	6,629,901		7,584,812	
		<u>6,807,933</u>		<u>7,911,411</u>	
Current assets					
Stocks	10	84,667		96,168	
Debtors	11	91,651		71,398	
Cash at bank and in hand		49,177		61,061	
		<u>225,495</u>		<u>228,627</u>	
Creditors: amounts falling due within one year	12	<u>(2,089,224)</u>		<u>(1,731,118)</u>	
Net current liabilities		<u>(1,863,729)</u>		<u>(1,502,491)</u>	
Total assets less current liabilities		<u>4,944,204</u>		<u>6,408,920</u>	
Capital and reserves					
Called up share capital	13	3,957,457		3,922,457	
Share premium account	14	3,324,584		3,339,591	
Profit and loss account	14	<u>(2,337,837)</u>		<u>(853,128)</u>	
Shareholders' funds	15	<u>4,944,204</u>		<u>6,408,920</u>	

The notes on pages 12 to 22 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. 05915350

BRITISH COUNTRY INNS 2 PLC

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JANUARY 2010**

	Notes	£	Period ended 30 January 2010 £	£	Period ended 24 January 2009 £
Net cash inflow/(outflow) from operating activities	19		17,985		(278,365)
Returns on investments and servicing of finance					
Interest received		22		8,728	
Interest paid		(50,015)		(30,526)	
Net cash outflow for returns on investments and servicing of finance			(49,993)		(21,798)
Capital expenditure					
Payments to acquire tangible assets		(110,771)		(909,907)	
Receipts from sales of tangible assets		32,195		-	
Net cash inflow for capital expenditure			(78,576)		(909,907)
Acquisitions and disposals					
Purchase of unincorporated businesses	22	-		(1,690,000)	
Purchase of subsidiary undertaking	22	-		-	
Acquisition expenses		-		(68,648)	
Sale expenses		-		-	
Net cash outflow for acquisitions and disposals			-		(1,758,648)
Net cash outflow before financing			(110,584)		(2,968,718)
Financing					
Proceeds from call up of share capital		19,993		-	
New short term bank loan		1,000,000		-	
Net cash inflow from financing			1,019,993		-
Increase/(decrease) in cash in the period	20, 21		909,409		(2,968,718)

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

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:

Land and buildings Freehold	75 years straight line
Fixtures, fittings & equipment	10-33% straight line

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

1 Accounting policies (continued)

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.

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, was dormant and has been dissolved during the period.

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

4	Operating loss	2010	2009
		£	£
	Operating loss is stated after charging:		
	Amortisation of intangible assets	38,970	38,600
	Depreciation of tangible assets	214,418	186,781
	Loss on disposal of tangible assets	13,848	-
	Auditors' remuneration:		
	- Audit fees	7,000	7,000
	- Other services	2,015	3,045
		<u> </u>	<u> </u>
	Exceptional items:		
	Impairment adjustment to carrying value of public houses and related goodwill	914,818	-
		<u> </u>	<u> </u>
5	Interest payable	2010	2009
		£	£
	On bank loans and overdrafts	50,015	30,526
		<u> </u>	<u> </u>

BRITISH COUNTRY INNS 2 PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 JANUARY 2010**

6 Taxation	2010	2009
	£	£
Current tax charge	<u>-</u>	<u>-</u>
 Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(1,484,709)	(645,208)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008: 30%)	<u>(415,719)</u>	<u>(182,787)</u>
Effects of:		
Non deductible expenses	5,964	-
Depreciation add back	63,964	60,352
Capital allowances	(45,344)	(56,324)
Tax losses carried forward	131,108	178,759
Loss on disposal of fixed assets	3,877	-
Fixed asset impairment add back	<u>256,150</u>	<u>-</u>
	<u>415,719</u>	<u>182,787</u>
Current tax charge	<u>-</u>	<u>-</u>

The company has estimated trading losses of £1,501,554 (2009: £1,015,515) available to carry forward against future trading profits. Based on a future expected tax rate of 28% this represents a deferred tax asset of £420,435 (2009: £284,344). A deferred liability arises between depreciation and capital allowances of £83,448 (2009: £67,606). 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 30 JANUARY 2010**

7 Intangible fixed assets

	Goodwill £
Cost	
At 25 January 2009 & at 30 January 2010	389,702
Amortisation	
At 25 January 2009	63,103
Charge for the period	38,970
Impairment	109,597
At 30 January 2010	211,670
Net book value	
At 30 January 2010	178,032
At 24 January 2009	326,599

8 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Total £
Cost			
At 25 January 2009	6,850,325	979,542	7,829,867
Additions	17,597	93,174	110,771
Disposals	-	(58,817)	(58,817)
At 30 January 2010	6,867,922	1,013,899	7,881,821
Depreciation			
At 25 January 2009	92,522	152,533	245,055
On disposals	-	(12,774)	(12,774)
Charge for the period	64,806	149,612	214,418
Impairment	805,221	-	805,221
At 30 January 2010	962,549	289,371	1,251,920
Net book value			
At 30 January 2010	5,905,373	724,528	6,629,901
At 24 January 2009	6,757,803	827,009	7,584,812

BRITISH COUNTRY INNS 2 PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 JANUARY 2010****9 Fixed asset investments**

	Shares in subsidiary undertakings £
Cost	
At 25 January 2009	765,989
Disposals	(765,989)
	<hr/>
At 30 January 2010	-
	<hr/>
Provisions for diminution in value	
At 25 January 2009	765,989
On disposals	(765,989)
	<hr/>
At 30 January 2010	-
	<hr/>
Net book value	
At 30 January 2010	-
	<hr/> <hr/>
At 24 January 2009	-
	<hr/> <hr/>

The company's only subsidiary, Dog House Inns Limited, a previously dormant company has been liquidated during the year.

10 Stocks	2010 £	2009 £
Finished goods and goods for resale	84,667	96,168
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors	2010 £	2009 £
Other debtors	43,661	14,062
Prepayments and accrued income	47,990	57,336
	<hr/>	<hr/>
	91,651	71,398
	<hr/> <hr/>	<hr/> <hr/>

BRITISH COUNTRY INNS 2 PLC

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

12 Creditors: amounts falling due within one year	2010	2009
	£	£
Bank loans and overdrafts	1,496,201	1,417,494
Trade creditors	200,682	110,419
Taxes and social security costs	56,521	80,058
Other creditors	281,204	46,517
Accruals and deferred income	54,616	76,630
	<u>2,089,224</u>	<u>1,731,118</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 loan of £1,000,000 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.

Included within other creditors is a loan to British Country Inns 3 Limited, a related company of £249,856. The loan is secured by way of a fixed charge over all freehold property and associated assets held by the company with interest being charged at 0.01% per annum.

BRITISH COUNTRY INNS 2 PLC

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

13 Share capital	2010	2009
	£	£
Authorised		
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>
Allotted share capital		
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>
Called up and paid share capital		
7,914,174 Ordinary of 50p each	3,957,087	3,922,087
740 A Ordinary of 50p each	370	370
	<u>3,957,457</u>	<u>3,922,457</u>

During the year the outstanding uncalled and partly paid share capital has been paid to the company. This payment related to 99,260 ordinary shares held by the directors.

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.

14 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 25 January 2009	3,339,591	(853,128)
Loss for the period	-	(1,484,709)
Transfer to correct share capital	(15,007)	-
	<u>3,324,584</u>	<u>(2,337,837)</u>
Balance at 30 January 2010	<u>3,324,584</u>	<u>(2,337,837)</u>

BRITISH COUNTRY INNS 2 PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 30 JANUARY 2010**

15 Reconciliation of movements in shareholders' funds	2010	2009
	£	£
Loss for the financial period	(1,484,709)	(645,208)
Proceeds from call up of share capital	19,993	-
	<hr/>	<hr/>
Net depletion in shareholders' funds	(1,464,716)	(645,208)
Opening shareholders' funds	6,408,920	7,054,128
	<hr/>	<hr/>
Closing shareholders' funds	<u>4,944,204</u>	<u>6,408,920</u>

16 Directors' emoluments	2010	2009
	£	£
Emoluments for qualifying services	<u>145,157</u>	<u>148,030</u>

17 Employees**Number of employees**

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

	2010	2009
	Number	Number
Directors	4	4
Operation of public houses	168	160
	<hr/>	<hr/>
	172	164
	<hr/>	<hr/>

Employment costs

	2010	2009
	£	£
Wages and salaries	1,265,944	1,251,807
Social security costs	90,335	89,564
	<hr/>	<hr/>
	<u>1,356,279</u>	<u>1,341,371</u>

BRITISH COUNTRY INNS 2 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 to British Country Inns Plc of £12,224 (2009: £23,061) in respect of trading expenditure incurred on the company's behalf. 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 loan was outstanding to British Country Inns Plc 3 of £249,856 (2009: due from - £6,343) in respect of trading expenditure incurred on the company's behalf and funding provided in the form of a secured loan as detailed in note 12. An amount of £200,000 has been repaid to BCI 3 on 15 February 2010. The directors of British Country Inns 3 Plc are also the directors and minority shareholders in British Country Inns 2 Plc.

As at 31 January 2010 a trading balance was outstanding to British Country Inns 4 Plc of £17,209 (2009: £27,075) in respect of trading expenditure incurred on the company's behalf. The directors of British Country Inns 4 Plc are also the directors and minority shareholders in British Country Inns 2 Plc.

19 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2010	2009
	£	£
Operating loss	(1,434,716)	(623,410)
Depreciation of tangible assets	1,019,639	186,781
Amortisation of intangible assets	148,567	38,600
Loss on disposal of tangible assets	13,848	-
Decrease/(increase) in stocks	11,501	(36,245)
(Increase)/decrease in debtors	(20,253)	15,032
Increase in creditors within one year	279,399	140,877
Net cash inflow/(outflow) from operating activities	17,985	(278,365)

20 Analysis of net (debt)/funds	25 January 2009	Cash flow	Other non- cash changes	30 January 2010
	£	£	£	£
Net cash:				
Cash at bank and in hand	61,061	(11,884)	-	49,177
Bank overdrafts	(1,417,494)	921,293	-	(496,201)
	(1,356,433)	909,409	-	(447,024)
Debts falling due within one year	-	(1,000,000)	-	(1,000,000)
Net debt	(1,356,433)	(90,591)	-	(1,447,024)

BRITISH COUNTRY INNS 2 PLC

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

21 Reconciliation of net cash flow to movement in net debt	2010	2009
	£	£
Increase/(decrease) in cash in the period	909,409	(2,968,718)
Cash inflow from increase in debt	(1,000,000)	-
	<u> </u>	<u> </u>
Movement in net debt in the period	(90,591)	(2,968,718)
Opening net (debt)/funds	(1,356,433)	1,612,285
	<u> </u>	<u> </u>
Closing net debt	<u><u>(1,447,024)</u></u>	<u><u>(1,356,433)</u></u>

22 Acquisitions and Disposals

Acquisitions and disposals of unincorporated businesses

	2010	2010	2009	2009
	Acquisitions	Disposals	Acquisitions	Disposals
	£	£	£	£
Net assets acquired:				
Freehold property	-	-	1,474,999	-
Tangible fixed assets	-	-	89,000	-
Stocks	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	1,563,999	-
Goodwill	-	-	126,001	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	1,690,000	-
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
Satisfied by:				
Cash	-	-	1,690,000	-
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>