

Company Registration No. 06037622 (England and Wales)

BRITISH COUNTRY INNS 3 PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 24 JANUARY 2009

BRITISH COUNTRY INNS 3 PLC

COMPANY INFORMATION

Directors

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

Secretary

Athenaeum Secretaries Ltd

Company number

06037622

Registered office

Ampney House
Falcon Close
Quedgeley
Gloucestershire
GL2 4BR

Auditors

Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

BRITISH COUNTRY INNS 3 PLC

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BRITISH COUNTRY INNS 3 PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 24 JANUARY 2009

I am pleased to enclose the Report and Accounts for your Company for the period ended 24th January 2009 and to invite you to attend the Company's Annual General meeting to be held at the offices of Smith & Williamson Limited, 25 Moorgate, London EC2R 6AY at 11.00am on Thursday 18th June 2009.

Performance

Despite the unnerving state of the UK economy, the constant flow of depressing business and licensed trade news, your Company has contained its overall loss for the year to £475,692 (2008:£48,695). During the year we have continued to develop the estate, with investment being completed at the Swan at Forton and the Oak (formerly Royal Oak) at Upton Snodsbury and satisfactory results produced at the Hollybush Inn. The Company acquired the Kings Arms at Didmarton on 30th September 2008 and has now satisfied the EIS requirement to invest 100% of funds within 24 months.

Profitability

- The Company's performance has been affected by the continuing programme of acquisition and development which initially results in increased costs before contribution improves. Total house trading loss (before central costs, depreciation and interest) was £120,041 (2008 part year: £28,848), representing -6.7% of turnover.
- The Company's profitability has been affected by a number of factors including in particular delays in the completion of works to the Oak undergoing refurbishment and by the effects of the general market downturn. Additionally, initial performance at the Meadow Inn was extremely disappointing but this has now been resolved following a change of management.
- 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 62.4% (2008:63.7%) 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.
- Labour costs have reduced to 43.4% of turnover (2008:45.4%) including an increase in the National Minimum Wage of 3.8%.
- The addition of new outlets and part year trading has resulted in trading expenses being 20.5% of turnover. With turnover planned to increase by nearly 50% on last year, which is a reflection of a full 12 months trading from each outlet, the trading expenses as a percentage of turnover will reduce dramatically.
- As a result of further acquisitions and therefore increased accountancy costs central costs have increased above last year. This will stabilise in the current year.

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

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

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

BRITISH COUNTRY INNS 3 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 estate.
- The performance of the **Swan at Bridgnorth** has been largely affected by the closure of the road immediately outside the pub. The road has now reopened and trade has shown a considerable improvement.
- The refurbishment works at the **Swan, Forton** are complete and the house is now trading towards its full potential.
- Following the refurbishment in April/May there have been management issues at the **Oak, Upton Snodsbury** which are now resolved. With a new management team in place turnover at this house is improving week by week.
- **The Hollybush** continues to trade well and its performance last year was ahead of expectations. Tighter controls throughout the business will see a better conversion rate to profit this year.
- With a change of management at the **Meadow** the trading performance year to date has shown a dramatic improvement which augurs well for a good overall outcome by the year end.

Key Performance Indicators

- The changes made during the past year 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 to decline in the current year.

Prospects

- Management continues to review all costs in the business, including central costs. It should be noted that the Directors do not have any benefits over and above salary.
- All food and drink supplier cost prices are reviewed continually as are utilities, refuse disposal and cleaning supplies.
- A tighter system of wage cost control has been introduced.
- Like for like sales in the first quarter of the new year are up 24% on last year.
- 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.

Management and Employees

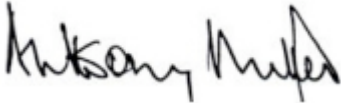
Once again on your behalf I would like to thank the operational staff, individual licensees and their staff for all that they are doing to make this into a successful business. They are all working extremely hard to move their businesses forward.

BRITISH COUNTRY INNS 3 PLC

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

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 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 3 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 principle 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:

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

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 30 (2008: 33).

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.

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

Directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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 that 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 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 3 PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRITISH COUNTRY INNS 3 PLC

We have audited the financial statements of British Country Inns 3 Plc for the period ended 24 January 2009 set out on pages 8 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BRITISH COUNTRY INNS 3 PLC

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF BRITISH COUNTRY INNS 3 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 3 PLC

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 24 JANUARY 2009**

		Period ended 24 January 2009 £	Period ended 26 January 2008 £
	Notes		
Turnover	2	1,788,950	401,664
Cost of sales	3	(2,021,463)	(460,482)
Gross loss		(232,513)	(58,818)
Administrative expenses		(355,756)	(222,136)
Operating loss	4	(588,269)	(280,954)
Other interest receivable and similar income		112,597	232,829
Loss on ordinary activities before taxation		(475,672)	(48,125)
Tax on loss on ordinary activities	5	(20)	(572)
Loss on ordinary activities after taxation	12	(475,692)	(48,697)

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.

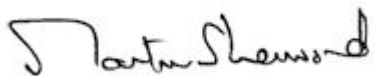
The notes on pages 11 to 19 form part of these financial statements.

BRITISH COUNTRY INNS 3 PLC**BALANCE SHEET
AS AT 24 JANUARY 2009**

		2009		2008	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	6	150,003		142,500	
Tangible assets	7	6,285,455		2,127,753	
		<u>6,435,458</u>		<u>2,270,253</u>	
Current assets					
Stocks	8	66,715		25,626	
Debtors	9	52,115		938,299	
Cash at bank and in hand		430,124		4,077,122	
		<u>548,954</u>		<u>5,041,047</u>	
Creditors: amounts falling due within one year	10	<u>(260,122)</u>		<u>(111,318)</u>	
Net current assets		<u>288,832</u>		<u>4,929,729</u>	
Total assets less current liabilities		<u>6,724,290</u>		<u>7,199,982</u>	
Capital and reserves					
Called up share capital	11	3,930,821		3,930,821	
Share premium account	12	3,317,858		3,317,858	
Profit and loss account	12	<u>(524,389)</u>		<u>(48,697)</u>	
Shareholders' funds	13	<u>6,724,290</u>		<u>7,199,982</u>	

The notes on pages 11 to 19 form part of these financial statements.

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



M W Sherwood
Director

BRITISH COUNTRY INNS 3 PLC

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

	Notes	Period ended 24 January 2009		Period ended 26 January 2008	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	17		554,010		(1,081,664)
Returns on investments and servicing of finance					
Interest received		112,597		232,829	
Net cash inflow for returns on investments and servicing of finance			112,597		232,829
Taxation			(592)		-
Capital expenditure					
Payments to acquire tangible assets		(436,035)		(299,572)	
Net cash outflow for capital expenditure			(436,035)		(299,572)
Acquisitions and disposals					
Acquisitions of unincorporated businesses	20	(3,719,410)		(1,945,000)	
Acquisition expenses		(157,568)		(78,150)	
Net cash outflow for acquisitions and disposals			(3,876,978)		(2,023,150)
Net cash outflow before financing			(3,646,998)		(3,171,557)
Financing					
Issue of ordinary share capital		-		7,831,642	
Cost of share issue		-		(582,963)	
Net cash (outflow)/inflow from financing			-		7,248,679
(Decrease)/increase in cash in the period	18, 19		(3,646,998)		4,077,122

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

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.

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

1 Accounting policies **(continued)**

1.8 Deferred taxation

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

2 Turnover

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

3 Cost of sales

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

4 Operating loss	2009	2008
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	17,500	7,500
Depreciation of tangible assets	110,898	29,969
Auditors' remuneration:		
-Audit fee	7,000	7,500
-Other services pursuant to such legislation	3,096	2,750
	<u> </u>	<u> </u>

BRITISH COUNTRY INNS 3 PLC

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

5 Taxation	2009	2008
	£	£
Domestic current year tax		
U.K. corporation tax	-	572
Adjustment for prior years	20	-
	<u>20</u>	<u>-</u>
Current tax charge	<u>20</u>	<u>572</u>
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(475,672)	(48,125)
	<u>(475,672)</u>	<u>(48,125)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.33% (2008: 30%)	(134,758)	(14,438)
	<u>(134,758)</u>	<u>(14,438)</u>
Effects of:		
Depreciation add back	31,417	8,991
Capital allowances	(49,072)	(23,990)
Tax losses carried forward	152,413	30,327
Adjustments to previous periods	20	-
Other tax adjustments	-	(319)
	<u>134,778</u>	<u>15,009</u>
Current tax charge	<u>20</u>	<u>572</u>

The company has estimated losses of £653,680 (2008: £101,089) 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 £183,030 (2008: £28,305). A deferred tax liability arises between depreciation and capital allowances of £39,564 (2008: £16,661). The net deferred tax asset has not been included in the balance sheet as the necessary conditions for recognition have not been met.

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

6 Intangible fixed assets

	Goodwill £
Cost	
At 27 January 2008	150,000
Additions	25,003
	<hr/>
At 24 January 2009	175,003
	<hr/>
Amortisation	
At 27 January 2008	7,500
Charge for the period	17,500
	<hr/>
At 24 January 2009	25,000
	<hr/>
Net book value	
At 24 January 2009	150,003
	<hr/> <hr/>
At 26 January 2008	142,500
	<hr/> <hr/>

7 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Total £
Cost			
At 27 January 2008	1,957,807	199,915	2,157,722
Additions	3,803,935	464,665	4,268,600
	<hr/>	<hr/>	<hr/>
At 24 January 2009	5,761,742	664,580	6,426,322
	<hr/>	<hr/>	<hr/>
Depreciation			
At 27 January 2008	9,508	20,461	29,969
Charge for the period	41,378	69,520	110,898
	<hr/>	<hr/>	<hr/>
At 24 January 2009	50,886	89,981	140,867
	<hr/>	<hr/>	<hr/>
Net book value			
At 24 January 2009	5,710,856	574,599	6,285,455
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 26 January 2008	1,948,299	179,454	2,127,753
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

BRITISH COUNTRY INNS 3 PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009**

8	Stocks	2009	2008
		£	£
	Finished goods and goods for resale	66,715	25,626
		<u>66,715</u>	<u>25,626</u>
9	Debtors	2009	2008
		£	£
	Trade debtors	-	8,396
	Other debtors	22,968	919,366
	Prepayments and accrued income	29,147	10,537
		<u>52,115</u>	<u>938,299</u>
10	Creditors: amounts falling due within one year	2009	2008
		£	£
	Trade creditors	102,384	44,110
	Corporation tax	-	572
	Other taxes and social security costs	106,138	23,082
	Other creditors	378	28,127
	Accruals and deferred income	51,222	15,427
		<u>260,122</u>	<u>111,318</u>

BRITISH COUNTRY INNS 3 PLC

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

11 Share capital	2009	2008
	£	£
Authorised		
40,000,000 Ordinary shares of 50p each	20,000,000	20,000,000
100,000 A Ordinary shares of 50p each	50,000	50,000
	<u>20,050,000</u>	<u>20,050,000</u>
 Allotted share capital		
7,801,642 Ordinary Shares of 50p each	3,900,821	3,900,821
100,000 A Ordinary Shares of 50p each	50,000	50,000
	<u>3,930,821</u>	<u>3,900,821</u>
 Called up and paid share capital		
7,801,642 Ordinary Shares of 50p each	3,900,821	3,900,821
20,000 A Ordinary Shares of 50p each	10,000	10,000
80,000 A Ordinary shares of 50p each partly paid	20,000	20,000
	<u>3,930,821</u>	<u>3,930,821</u>

At the period end of the 100,000 A Ordinary shares held by the directors, 20,000 had been called up as to 50p per share and 80,000 had been called up as to 25p per share. There is currently no formal timetable for the company to call the outstanding balance.

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 £0.50 each in proportion to their holdings of those shares.

12 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 27 January 2008	3,317,858	(48,697)
Retained loss for the period	-	(475,692)
	<u>3,317,858</u>	<u>(524,370)</u>
Balance at 24 January 2009	<u>3,317,858</u>	<u>(524,370)</u>

BRITISH COUNTRY INNS 3 PLC**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE PERIOD ENDED 24 JANUARY 2009**

13 Reconciliation of movements in shareholders' funds	2009	2008
	£	£
Loss for the financial period	(475,692)	(48,697)
Proceeds from issue of shares	-	7,831,642
Cost of share issue written off to share premium account	-	(582,963)
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(475,692)	7,199,982
Opening shareholders' funds	7,199,982	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>6,724,290</u>	<u>7,199,982</u>

14 Directors' emoluments	2009	2008
	£	£
Emoluments for qualifying services	136,363	113,763
	<hr/>	<hr/>

15 Employees**Number of employees**

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

	2009	2008
	Number	Number
Directors	4	4
Operation of public houses	96	47
	<hr/>	<hr/>
	100	51
	<hr/>	<hr/>

Employment costs

	2009	2008
	£	£
Wages and salaries	860,398	304,020
Social security costs	62,516	23,741
	<hr/>	<hr/>
	922,914	327,761
	<hr/>	<hr/>

BRITISH COUNTRY INNS 3 PLC

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

16 Related party transactions

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

17 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities		2009		2008
		£		£
Operating loss		(588,269)		(280,954)
Depreciation of tangible assets		110,898		29,969
Amortisation of intangible assets		17,500		7,500
Increase in stocks		(21,679)		(10,626)
Decrease/(increase) in debtors		886,184		(938,299)
Increase in creditors within one year		149,376		110,746
		<u>554,010</u>		<u>(1081,664)</u>
Net cash inflow/(outflow) from operating activities		<u>554,010</u>		<u>(1081,664)</u>
18 Analysis of net (debt)/funds	27 January 2008	Cash flow	Other non- cash changes	24 January 2009
	£	£	£	£
Net cash:				
Cash at bank and in hand	4,077,122	(3,646,998)	-	430,124
	<u>4,077,122</u>	<u>(3,646,998)</u>	<u>-</u>	<u>430,124</u>
Net funds	<u>4,077,122</u>	<u>(3,646,998)</u>	<u>-</u>	<u>430,124</u>
19 Reconciliation of net cash flow to movement in net funds		2009		2008
		£		£
(Decrease)/increase in cash in the period		(3,646,998)		4,077,122
Movement in net funds in the period		(3,646,998)		4,077,122
Opening net funds		4,077,122		-
		<u>430,124</u>		<u>4,077,122</u>
Closing net funds		<u>430,124</u>		<u>4,077,122</u>

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

19 Acquisitions and Disposals

Acquisition of unincorporated businesses

Net assets acquired:	2009	2008
	£	£
Freehold	3,462,998	1,704,999
Tangible fixed assets	211,999	75,001
Stocks	19,410	15,000
	<hr/>	<hr/>
Goodwill	3,694,407	1,795,000
	25,003	150,000
	<hr/>	<hr/>
	3,719,410	1,945,000
	<hr/>	<hr/>
Satisfied by:		
Cash	3,719,410	1,945,000
	<hr/>	<hr/>