

FOUNDATION INNS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the 52 weeks ended 27 March 2010

FOUNDATION INNS PLC

COMPANY INFORMATION

DIRECTORS

R Barclay
G Drew
M Foster
I Grundy
N Preston
H Pring

COMPANY SECRETARY

P Latham

COMPANY NUMBER

06058816

REGISTERED OFFICE

99-101 Regent Street
London
W1B 4RS

AUDITORS

Smith Cooper
Chartered Accountants & Statutory Auditors
Wilmot House
St James Court
Friar Gate
Derby
DE1 1BT

FOUNDATION INNS PLC

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FOUNDATION INNS PLC

DIRECTORS' REPORT for the 52 weeks ended 27 March 2010

The directors present their report and the financial statements for the 52 weeks ended 27 March 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 judgments and 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.

PRINCIPAL ACTIVITY

The principal activity of the company is that of a public house operator.

BUSINESS REVIEW

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

The company owns five freehold pubs and one leasehold:-

The Noble Vine, Walton-on-Thames

The Village, Walthamstow

The Kings Head and Bell, Abingdon

The Tavern, Melksham

The White Horse, Chelmsford

The Glasshouse, Lincoln (leasehold)

FOUNDATION INNS PLC

DIRECTORS' REPORT for the 52 weeks ended 27 March 2010

All our pubs, except for the leasehold, earned more profit this year than the previous year. Two of the pubs were re-developed during the year. The Village in Walthamstow village re-opened in July 2009 after a four week closure and refurbishment. The site has traded well since re-opening. The Kings Head and Bell in Abingdon, a listed building acquired in March 2008 as a closed site, was re-opened in November 2009 after major refurbishment which included expanding the trading area. This site has started trading well from a standing start, given that it had been closed for over two years.

The financial results for the year to March 2010 therefore reflect a period of time for some of our pubs where there was no trading whilst they were being developed. But all sites are now fully developed and with the exception of normal trading capital expenditure we do not envisage any major development spend over the coming financial year.

In July 2009 Foundation Inns plc was highly commended in two categories of the Morning Advertiser 200 awards - best newcomer for the company and best design for the Noble Vine. We shall again be entering this year's award programme.

During the year the Board granted permission to Ian Grundy and Gavin Drew to create a management company, whilst remaining in employment with Foundation Inns, to manage a number of pubs owned by another pub company. In return they agreed to a reduction in their compensation.

Key performance indicators for the year to 31 March 2010 were as follows:-

- Total turnover increased by 22.7% to £2.58m from £2.10m
 - Same store sales increased by 12.9% (excludes Kings Head and Bell which was opened in November 2009)
- Outlet EBITDA grew by 56.1% to £0.48m from £0.31m
- Outlet level profit after depreciation was £214k for the year against £25k in the previous year. This benefited from changing the depreciation charge to 12.5% per annum from 20% for fixtures and fittings. This is now in line with other independent pub companies of a similar size
- Administrative expenses increased by 2.6% from £1.38m to £1.42m (largely as a result of additional staff costs at the Kings Head and Bell since re-opening)
- Within administrative expenses, central overhead costs fell 16.9% to £0.35m from £0.43m, in part due to the reduction in managers' compensation
- Interest payable fell from £108k to £68k reflecting reductions in the base rate
- Positive cash inflow from trading activities of £138k

Despite the encouraging trading performance in what has been a very difficult year, the industry is facing very tough challenges ahead as a result of continued increased supply prices (including duty escalators), increased fuel costs, potential further government legislation (particularly with regard to duty pricing), VAT increases and the overall impact on consumer expenditure of the economic slowdown. Unemployment figures are continually rising especially in the 18 to 24 year old age profile. We are not immune from this as two of the company's sites trade predominantly to this market. The pressure on the "leisure pound" is set to continue throughout 2010.

As a consequence, we have taken a further impairment charge this year, described in the accounts as an exceptional administrative expense, of £322,349 (2009: £1.26m). The majority of this charge relates to our leasehold property, the Glasshouse in Lincoln, which has struggled to perform in the face of increased local 'price driven' competition coupled with the changing nature of the student eating and drinking out market. The impairment also reflects that change in market valuations for leasehold properties. The site itself is an attractive property and although we have changed the management and operational focus, we are also exploring opportunities to sell it. As a result of the impairment, trading losses and interest, the net asset value per share of the company is reported at 31 March 2010 as 52p (31 March 2009: 62p).

FOUNDATION INNS PLC

DIRECTORS' REPORT for the 52 weeks ended 27 March 2010

Total gross debt at the year end was £3.1m. During the year the Board took the decision to hedge £2.6m of the company's loan facility at a rate of 2.75% plus 1% lending margin (total 3.75%). This provides some certainty to future finance costs. The remainder of the debt bears interest at base rate plus 1%. The hedging arrangement took effect from January 2010 and will remain in place until March 2012 when the debt is due to be repaid or refinanced.

Given the uncertain nature of the economic climate, we recognise that any plans for the future development of the business may be subject to unforeseen events outside of our control. However, we are acutely aware that continued focus on driving up sales whilst keeping costs down is of paramount importance in the year ahead. As an example of our marketing initiatives, in the markets where value is the big driver and also where the 18-24 year old demographic group is feeling the effects of the recession, we have implemented a new offer providing great value on a range of products and bundled deals, such as burger and drink for £4.99, or kids eat for £1, with which we aim to grow incremental sales and margin. For the more premium offers we are introducing a range of food and drink initiatives such as a new Tapas menu, local beers and purchasing initiatives.

At the same time, the portfolio needs to be continually reviewed. Certain assets which are not currently making a significant return to the business need to be considered for sale. In line with this approach, we intend to place the White Horse, Chelmsford on the market at a value of £400,000 as advised by Christies in May 2010. The EBITDA on this site is small and at the time of its acquisition, as part of a parcel of pubs in January 2008, we had agreed a back to back deal to sell the site. The purchasing company withdrew whilst in the legal process of disposal. We have traded the site in the interim period in order to improve the trading profitability and now feel the time is right to look for a disposal. From time to time we receive interest in other properties, including the five freehold flats which we own above the Noble Vine in Walton on Thames, and the Board will examine carefully any offers received during the year.

Under the terms of the Enterprise Investment Scheme (EIS), the earliest that the company could be sold without compromising EIS relief is November 2010. The Board is continually reviewing all possibilities for the future of the company.

Trading in the current year has started reasonably well but sales growth has been very tough given the inclement weather, in comparison to last year, and the apparent slow down in the run up to the general election. We have a number of pubs with gardens and areas to watch television and, even though these are not sports oriented, trading marginally benefited from the World Cup. The improved weather in June did not have a marked effect on sales as many customers opted to stay at home with cheap supermarket offers and BBQ's but the current year to date has started in line with our expectations

For the unaudited three months to June 2010, total turnover is 21.6% higher than last year with site level EBITDA up by 35.5%, partly due to the Village being closed in the same period last year.

RESULTS

The loss for the 52 weeks, after taxation, amounted to £537,992 (2009 - loss £1,753,709).

DIRECTORS

The directors who served during the 52 weeks were:

R Barclay
G Drew
M Foster
I Grundy
N Preston
H Pring

FOUNDATION INNS PLC

DIRECTORS' REPORT for the 52 weeks ended 27 March 2010

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, providing that all trading terms and conditions have been complied with.

At 27 March 2010 the company had an average of 30 days purchases outstanding in trade creditors.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

Under section 491 of the Companies Act 2006, Smith Cooper will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 29 July 2010 and signed on its behalf.

R Barclay
Director

FOUNDATION INNS PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FOUNDATION INNS PLC

We have audited the financial statements of Foundation Inns PLC for the 52 weeks ended 27 March 2010, set out on pages 7 to 20. 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 statement of directors' responsibilities, 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 27 March 2010 and of its loss for the 52 weeks 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial 52 weeks for which the financial statements are prepared is consistent with the financial statements.

FOUNDATION INNS PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FOUNDATION INNS PLC

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.

Janet Morgan (senior statutory auditor)

for and on behalf of

SMITH COOPER

Chartered Accountants

Statutory Auditors

Wilmot House

St James Court

Friar Gate

Derby

DE1 1BT

29 July 2010

FOUNDATION INNS PLC

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 27 March 2010

	Note	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
TURNOVER	1,2	2,584,339	2,106,123
Cost of sales		<u>(1,324,792)</u>	<u>(1,133,496)</u>
GROSS PROFIT		1,259,547	972,627
Administrative expenses		(1,420,957)	(1,384,026)
Exceptional administrative expenses		(322,349)	(1,259,431)
Total administrative expenses		(1,743,306)	(2,643,457)
Other operating income	3	13,472	5,515
OPERATING LOSS	5	(470,287)	(1,665,315)
EXCEPTIONAL ITEMS			
Net profit on sale of tangible fixed assets	10	-	12,428
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(470,287)	(1,652,887)
Interest receivable		412	7,120
Interest payable	9	(68,117)	(107,942)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(537,992)	(1,753,709)
Tax on loss on ordinary activities	11	-	-
LOSS FOR THE FINANCIAL PERIOD	19	(537,992)	(1,753,709)

All amounts relate to continuing operations.

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

FOUNDATION INNS PLC

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 weeks ended 27 March 2010**

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
LOSS FOR THE FINANCIAL 52 WEEKS	(537,992)	(1,753,709)
Unrealised surplus on revaluation of tangible fixed assets	-	284,873
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE 52 WEEKS	(537,992)	(1,468,836)
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**NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the 52 weeks ended 27 March 2010**

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(537,992)	(1,753,709)
Difference between a historical cost depreciation charge and the actual depreciation charge for the 52 weeks calculated on the revalued amount	2,374	-
	<hr/>	<hr/>
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(535,618)	(1,753,709)
	<hr/> <hr/>	<hr/> <hr/>
HISTORICAL LOSS FOR THE 52 WEEKS AFTER TAXATION	(535,618)	(1,753,709)
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The notes on pages 11 to 20 form part of these financial statements.

FOUNDATION INNS PLC
Registered number: 06058816

BALANCE SHEET
as at 27 March 2010

	Note	£	27 March 2010 £	£	28 March 2009 £
FIXED ASSETS					
Intangible fixed assets	12		111,595		271,105
Tangible fixed assets	13		6,231,004		6,015,586
			<u>6,342,599</u>		<u>6,286,691</u>
CURRENT ASSETS					
Stocks	14	41,432		43,105	
Debtors	15	248,383		204,693	
Cash at bank and in hand		172,585		81,809	
			<u>462,400</u>	<u>329,607</u>	
CREDITORS: amounts falling due within one year	16	(675,726)		(583,272)	
			<u>(213,326)</u>	<u>(253,665)</u>	
NET CURRENT LIABILITIES					
			<u>6,129,273</u>		<u>6,033,026</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS: amounts falling due after more than one year	17		(3,064,805)		(2,430,566)
			<u>3,064,468</u>		<u>3,602,460</u>
NET ASSETS					
CAPITAL AND RESERVES					
Called up share capital	18		2,912,223		2,912,223
Share premium account	19		2,414,742		2,414,742
Revaluation reserve	19		282,499		284,873
Profit and loss account	19		(2,544,996)		(2,009,378)
			<u>3,064,468</u>		<u>3,602,460</u>
SHAREHOLDERS' FUNDS					
	20		<u>3,064,468</u>		<u>3,602,460</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2010.

R Barclay
 Director

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

FOUNDATION INNS PLC

**CASH FLOW STATEMENT
for the 52 weeks ended 27 March 2010**

	Note	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Net cash flow from operating activities	21	137,952	(711,096)
Returns on investments and servicing of finance	22	(67,705)	(100,822)
Capital expenditure and financial investment	22	(643,562)	(186,997)
CASH OUTFLOW BEFORE FINANCING		(573,315)	(998,915)
Financing	22	634,239	1,046,379
INCREASE IN CASH IN THE 52 WEEKS		60,924	47,464

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
for the 52 weeks ended 27 March 2010**

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Increase in cash in the 52 weeks	60,924	47,464
Cash inflow from increase in debt and lease financing	(634,239)	(1,046,379)
MOVEMENT IN NET DEBT IN THE 52 WEEKS	(573,315)	(998,915)
Net debt at 29 March 2009	(2,348,757)	(1,349,842)
NET DEBT AT 27 MARCH 2010	(2,922,072)	(2,348,757)

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

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and in accordance with applicable accounting standards.

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 INTANGIBLE FIXED ASSETS AND AMORTISATION

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life of 20 years.

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2%	straight line
S/Term Leasehold Property	-	5%	straight line
Fixtures & fittings	-	12.5%	straight line

During the year the Directors have reviewed the depreciation policies and consider that a depreciation rate of 20% on fixtures & fittings did not reflect the useful life of the assets and according amended the depreciation rate on this class of asset to 12.5%. This change in rate has resulted in £74,084 less depreciation being charged to the profit and loss account in the year than under the previous rate.

1.5 IMPAIRMENT

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Any impairment charge is recognised in the profit and loss account in the year in which it occurs.

1.6 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010**

1. ACCOUNTING POLICIES (continued)

1.7 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 FINANCE COSTS

Issue costs incurred in raising additional finance are deducted from the proceeds received from the loans and are amortised over the term of the capital instrument in accordance with FRS4.

2. TURNOVER

The whole of the turnover is attributable to operating public houses.

All turnover arose within the United Kingdom.

3. OTHER OPERATING INCOME

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Net rents receivable	13,472	5,515

NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010

4. EXCEPTIONAL ADMINISTRATIVE EXPENSES - IMPAIRMENT LOSSES

When any indicators of impairment are identified, property, goodwill and plant and equipment are reviewed for impairment based on each cash generating unit (CGU). The cash generating units are individual pubs. The carrying value of these individual pubs was compared to the recoverable amounts of the CGU's, which was based predominantly on value-in-use.

Due to a weakening in the UK consumer environment during the year, impairments have been recognised in both freehold property and goodwill as follows:

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Impairment losses on goodwill	144,881	526,772
Impairment losses on freehold property	154,806	732,659
Impairment losses on fixtures & fittings	22,662	-
	<u><u>322,349</u></u>	<u><u>1,259,431</u></u>

Included in the above are reversals of impairment losses of property of £90,394. The impairment reversals were primarily due to the identification of pubs where expected future cash flows have risen to a level such that value-in-use is now above the carrying value.

5. OPERATING LOSS

The operating loss is stated after charging:

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Amortisation - intangible fixed assets	14,629	44,062
Depreciation of tangible fixed assets: - owned by the company	250,676	238,973
Exceptional administrative expenses	322,349	1,259,431
	<u><u>322,349</u></u>	<u><u>1,259,431</u></u>

6. AUDITORS' REMUNERATION

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Fees payable to the company's auditor for the audit of the company's annual accounts	11,250	10,000
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	2,000	2,000
	<u><u>2,000</u></u>	<u><u>2,000</u></u>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 27 March 2010

7. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Wages and salaries	870,935	780,926
Social security costs	55,276	54,954
	<u>926,211</u>	<u>835,880</u>

The average monthly number of employees, including the directors, during the 52 weeks was as follows:

	52 weeks ended 27 March 2010 No.	52 weeks ended 28 March 2009 No.
Staff	68	67
Directors	6	6
	<u>74</u>	<u>73</u>

8. DIRECTORS' REMUNERATION

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Emoluments	160,294	190,353
Amounts paid to third parties for directors' remuneration services	15,961	12,844

Included within directors emoluments is an amount of £37,810 in respect of an asset management charge as per the asset management agreement outlined in the offer for subscription document published on 28 March 2007. The whole of this amount remains outstanding at the year end.

9. INTEREST PAYABLE

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
On bank loans and overdrafts	68,117	107,942

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 27 March 2010

10. EXCEPTIONAL ITEMS

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Profit on disposal of fixed asset	-	12,428

11. TAXATION

FACTORS AFFECTING TAX CHARGE FOR THE 52 WEEKS

There were no factors that affected the tax charge for the 52 weeks which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 21% (2009 - 21%).

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company has tax losses available to carry forward against future taxable profits on which no deferred tax asset has been recognised.

12. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 29 March 2009 and 27 March 2010	841,938
AMORTISATION	
At 29 March 2009	570,833
Charge for the period	14,629
Impairment charge	144,881
At 27 March 2010	730,343
NET BOOK VALUE	
At 27 March 2010	111,595
At 28 March 2009	271,105

FOUNDATION INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010**

13. TANGIBLE FIXED ASSETS

	Land and buildings £	Furniture, fittings and equipment £	Total £
COST OR VALUATION			
At 29 March 2009	6,132,679	880,321	7,013,000
Additions	336,340	307,222	643,562
	<u>6,469,019</u>	<u>1,187,543</u>	<u>7,656,562</u>
At 27 March 2010	<u>6,469,019</u>	<u>1,187,543</u>	<u>7,656,562</u>
DEPRECIATION			
At 29 March 2009	859,022	138,392	997,414
Charge for the 52 weeks	119,725	130,951	250,676
Impairment	154,806	22,662	177,468
	<u>1,133,553</u>	<u>292,005</u>	<u>1,425,558</u>
At 27 March 2010	<u>1,133,553</u>	<u>292,005</u>	<u>1,425,558</u>
NET BOOK VALUE			
At 27 March 2010	<u>5,335,466</u>	<u>895,538</u>	<u>6,231,004</u>
At 28 March 2009	<u>5,273,657</u>	<u>741,929</u>	<u>6,015,586</u>

Cost or valuation at 27 March 2010 is as follows:

	Land and buildings £
AT COST	5,704,949
AT VALUATION:	
2009 open market value basis	<u>764,070</u>
	<u>6,469,019</u>

The land and buildings were revalued on 28 March 2009 by the directors on an open market existing use basis.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	27 March 2010 £	28 March 2009 £
Cost	5,704,949	5,368,609
Accumulated depreciation	(450,886)	(333,895)
Net book value	<u>5,254,063</u>	<u>5,034,714</u>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010

14. STOCKS

	27 March 2010 £	28 March 2009 £
Finished goods and goods for resale	<u>41,432</u>	<u>43,105</u>

15. DEBTORS

	27 March 2010 £	28 March 2009 £
Trade debtors	388	688
Other debtors	44,890	45,070
Prepayments and accrued income	203,105	158,935
	<u>248,383</u>	<u>204,693</u>

16. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	27 March 2010 £	28 March 2009 £
Bank loans and overdrafts	29,852	-
Trade creditors	209,089	232,643
Social security and other taxes	63,076	49,264
Other creditors	20,432	21,337
Accruals and deferred income	353,277	280,028
	<u>675,726</u>	<u>583,272</u>

17. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	27 March 2010 £	28 March 2009 £
Bank loans	<u>3,064,805</u>	<u>2,430,566</u>

The bank loans are stated net of unamortised issue costs of £13,355. These costs together with the interest expense are allocated to the profit and loss account over the term of the loans at a constant rate on the carrying amount.

The bank loan is for a period of 4 years, commencing February 2008 and is repayable in one installment at the end of the four year term. Interest on the loan is charged at 1% above bank base rate. A hedging agreement is in place for £2.6m of the loan from January 2010 to March 2012 to protect against possible interest rate increases in that period. The loan has been hedged at a rate of 2.75% plus a lending margin of 1%.

FOUNDATION INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010**

18. SHARE CAPITAL

	27 March 2010 £	28 March 2009 £
AUTHORISED		
10,000,000 Ordinary Shares shares of 50p each	5,000,000	5,000,000
1,200 Ordinary A Shares shares of 50p each	600	600
	<hr/> 5,000,600 <hr/>	<hr/> 5,000,600 <hr/>
ALLOTTED, CALLED UP AND FULLY PAID		
5,823,446 Ordinary Shares shares of 50p each	2,911,723	2,911,723
1,000 Ordinary A Shares shares of 50p each	500	500
	<hr/> 2,912,223 <hr/>	<hr/> 2,912,223 <hr/>

19. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 29 March 2009	2,414,742	284,873	(2,009,378)
Loss for the 52 weeks			(537,992)
Transfer between Revaluation reserve and P/L account		(2,374)	2,374
At 27 March 2010	<hr/> 2,414,742 <hr/>	<hr/> 282,499 <hr/>	<hr/> (2,544,996) <hr/>

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	27 March 2010 £	28 March 2009 £
Opening shareholders' funds	3,602,460	5,071,296
Loss for the 52 weeks	(537,992)	(1,753,709)
Other recognised gains and losses during the 52 weeks	-	284,873
Closing shareholders' funds	<hr/> 3,064,468 <hr/>	<hr/> 3,602,460 <hr/>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010

21. NET CASH FLOW FROM OPERATING ACTIVITIES

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
Operating loss	(470,287)	(1,665,315)
Amortisation of intangible fixed assets	14,629	44,062
Depreciation of tangible fixed assets	250,676	238,973
Impairments of fixed assets	322,352	1,259,431
Decrease/(increase) in stocks	1,673	(1,556)
(Increase)/decrease in debtors	(43,691)	57,596
Increase/(decrease) in creditors	62,600	(644,287)
	<hr/>	<hr/>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	137,952	(711,096)
	<hr/> <hr/>	<hr/> <hr/>

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	412	7,120
Interest paid	(68,117)	(107,942)
	<hr/>	<hr/>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(67,705)	(100,822)
	<hr/> <hr/>	<hr/> <hr/>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(643,562)	(333,192)
Sale of tangible fixed assets	-	146,195
	<hr/>	<hr/>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(643,562)	(186,997)
	<hr/> <hr/>	<hr/> <hr/>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 27 March 2010

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	52 weeks ended 27 March 2010 £	52 weeks ended 28 March 2009 £
FINANCING		
New secured loans	634,239	1,190,000
Repayment of loans	-	(143,621)
	<hr/>	<hr/>
NET CASH INFLOW FROM FINANCING	634,239	1,046,379
	<hr/> <hr/>	<hr/> <hr/>

23. ANALYSIS OF CHANGES IN NET DEBT

	29 March 2009 £	Cash flow £	Other non-cash changes £	27 March 2010 £
Cash at bank and in hand	81,809	90,776	-	172,585
Bank overdraft	-	(29,852)	-	(29,852)
	<hr/>	<hr/>	<hr/>	<hr/>
	81,809	60,924	-	142,733
DEBT:				
Debts due within one year	-	(634,239)	634,239	-
Debts falling due after more than one year	(2,430,566)	-	(634,239)	(3,064,805)
	<hr/>	<hr/>	<hr/>	<hr/>
NET DEBT	(2,348,757)	(573,315)	-	(2,922,072)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24. RELATED PARTY TRANSACTIONS

During the year the company incurred charges of £22,505 (2009: £22,583) from Cairneagle Associates LLP, a business in which R Barclay is a partner, in respect of an asset management charge as per the asset management agreement outlined in the offer for subscription document published on 28 March 2007. These amounts were calculated on an arms length basis. The whole of the amount due remains outstanding at the year end.

25. CONTROLLING PARTY

There is no ultimate controlling party as no one person or party of persons holds more than 50% of the equity capital of the company.