

FOUNDATION INNS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 2 April 2011

FOUNDATION INNS PLC

COMPANY INFORMATION

DIRECTORS

R Barclay
G Drew
M Foster (resigned 7 December 2010)
I Grundy
N Preston
H Pring

COMPANY SECRETARY

R Barclay

COMPANY NUMBER

06058816

REGISTERED OFFICE

99-101 Regent Street
London
W1B 4RS

AUDITORS

Smith Cooper
Chartered Accountants & Statutory auditors
St James Court
Larges Street
Derby
DE1 1BT

FOUNDATION INNS PLC

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FOUNDATION INNS PLC

DIRECTORS' REPORT for the year ended 2 April 2011

The directors present their report and the financial statements for the Year ended 02 April 2011 2 April 2011.

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 ACTIVITIES

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.

As at the year ended 2 April 2011, the company owned five freehold pubs and one leasehold (the Glasshouse) which has subsequently been sold to M&B.

The remaining pubs are The Noble Vine in Walton-on-Thames, The Village in Walthamstow Village, The Kings Head and Bell in Abingdon, The Tavern in Melksham and the White Horse in Chelmsford.

In 2010, the Board also took the decision to sell the White Horse, Chelmsford. The market for this typical tenanted / owner operator site is still very limited and as a consequence interest in the site has been minimal. We have, therefore, recently lowered the asking price to £340k. In addition we are seeking to dispose of three company owned flats above one of the pubs. At the time of reporting, one is currently under offer for £150k.

The pubs have traded well in the past year and have high ebitda to sales for these type of assets. The Glasshouse and White Horse made marginal negative ebitda contributions during the year, largely due to the sites being marketed for sale and the restrictions this places on being able to recruit and operate effectively, but strong performance in the other four sites mean that company reported a positive cash flow for the year and finished the year well within the bank covenant requirements.

FOUNDATION INNS PLC

DIRECTORS' REPORT for the year ended 2 April 2011

Key performance indicators for the year to 02 April 2011 were as follows:-

- Total turnover increased by 8.8% to £2.8m from £2.58m
- Outlet EBITDA was held at £0.48m despite losses incurred in the Glasshouse and the White Horse, increased unit costs due to beer duty, fuel, utilities and food cost price increases etc.
 - o After adjusting for disposals / non-core assets, being the Glasshouse and White Horse, the core estate of four sites reported a combined site level ebitda in excess £0.5m on a turnover of £2.1m representing an excellent conversion ratio and a growth of 20% over the previous year.
- Administrative expenses reduced to £1.38m from £1.42m (despite additional staff costs at the Kings Head and Bell which only opened part way through the previous year).
- Within administrative expenses, central overhead costs fell 16.9% to £0.30m from £0.35m (£0.43m in 2009) and will reduce further again in the year to 2012 as a result of structural changes implemented from April 2011, referred to later in this report
- Positive cash inflow from trading activities increased from £138k to £155k.

Total gross debt at the year-end was £3m with a facility in place for £3.35m, albeit due to a positive cash flow no drawdown of the loan has been required since completion of the final development at the Kings Head and Bell in October 2009.

Part of the company's loan facility is hedged (£2.6m) at a rate of 2.75% plus 1% lending margin (total 3.75%) with the remainder of the debt bearing 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. As a consequence the debt interest during the year to April 2011 rose to £112k from £68k the previous year.

Trading performance has been encouraging in what has been a very a difficult year, but the trading outlook remains challenging for the industry 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 in the 18 to 24 year old age profile remain a concern and we are not immune from this trend in the market operating predominantly outside London. The pressure on the "leisure pound" is set to continue throughout 2011. However, there do appear signs of some recovery in the leisure market, particularly after the period in April/May where weather was generally good and we enjoyed back to back bank holidays. After adjusting for the Glasshouse disposal, Foundation Inns unaudited accounts reported like for sales growth of 9.4% for the first 9 weeks of trading through to the beginning of June and a 32% increase in like for like site ebitda performance (38% improvement in total on the core estate after adjusting for the White Horse which is being marketed for sale). Further changes to our head office structure has added further significant growth to the company ebitda in the first nine weeks of the current year.

As a consequence of continuing trends in improved trading performance aligned with our prudent strategy to the disposal of non core assets (eg the Glasshouse , White Horse and Flats) and the improvements in the real estate market in the South East as evidenced by a number of transactions recently e.g. Stonegate Pub Company purchase of M&B drink led sites, Greene King purchase of Real Pubs and Clover Leafe, Wells & Young purchase of Geronimo and so on, the Board have decided not to further impair the company's assets this year. As a result the net asset value per share of the company reported at 2nd April 2011 was 49p (31 March 2010: 52p).

FOUNDATION INNS PLC

DIRECTORS' REPORT for the year ended 2 April 2011

In anticipation of the need to re-finance the company in March 2012, the Board have sought ways in which to reduce the central cost burden on the company and at the same time make a potential transition to new ownership as smooth as possible. On 3 April 2011 the Company appointed Flagstone Inns Limited, a company controlled by our Managers, Ian Grundy and Gavin Drew, to manage the Company's pubs. Ian Grundy and Gavin Drew ceased from that date to be employees of the Company. The Board are satisfied that this arrangement will not lead to any deterioration in the management of the Company's sites but will result in cost savings to the business and will pave the way for a smoother sale of the business at the appropriate time that the Board considers will maximise value for the shareholders. Further to this, Cairneagle Associates, the original sponsors of the scheme, have waived their right to asset management charges and this will save the company significant cost in the year ahead.

The sale of our leasehold interests in the Glasshouse for £150k, the proposed sale of the flats at the Noble Vine and the loss making White Horse will further strengthen the positive trading cash flow and reduce debt burden upon refinancing. In the first two periods of the current financial year, bank interest was 38% of the overall company ebitda and well within the bank requirement of 66.7%.

In November 2010 Foundation Inns plc was voted the Best Newcomer in the Morning Advertiser Top 250 multiple retailers. This is an annual award presentation sponsored by the industry's leading publication "The Publican's Morning Advertiser" and recognises the achievements of start up / smaller multiple retailers. Previous winners in recent years include Real Pubs and Moleface Pub Company. We shall again be entering this year's award programme in the 'best development category' for the Kings Head and Bell in Abingdon which is a 15th century grade 2 listed pub that was purchased as a closed site and sympathetically redeveloped / extended in October 2009.

Under the terms of the Enterprise Investment Scheme (EIS) we have now passed the three year qualifying period. The Board continually reviews all possibilities for the future of the company and will continue to do so on an ongoing basis. However, during the year a canvass of opinion of representatives of the majority shareholders concluded that whilst the company is cash positive and asset values low, there is no reason to sell the company core assets at this moment in time until the market recovers and this is the strategy that the Board is currently pursuing.

RESULTS

The loss for the Year, after taxation, amounted to £232,771 (2010 - loss £537,992).

DIRECTORS

The directors who served during the Year were:

R Barclay
G Drew
M Foster (resigned 7 December 2010)
I Grundy
N Preston
H Pring

FINANCIAL INSTRUMENTS

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices and credit risk. The company has a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of finance costs and returns. The company maintains a bank loan facility to ensure that it has sufficient funds for its operations.

FOUNDATION INNS PLC

DIRECTORS' REPORT for the year ended 2 April 2011

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 02 April 2011, the company had an average of 30 days (2010: 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 and signed on its behalf.

R Barclay
Director
Date: 15 August 2011

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 Year ended 2 April 2011, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2 April 2011 and of its loss for the Year 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 Year 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 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

St James Court

Larges Street

Derby

DE1 1BT

15 August 2011

FOUNDATION INNS PLC

PROFIT AND LOSS ACCOUNT
for the year ended 2 April 2011

	Note	year ended 2 April 2011 £	year ended 27 March 2010 £
TURNOVER	1,2	2,796,620	2,584,339
Cost of sales		<u>(1,543,969)</u>	<u>(1,324,792)</u>
GROSS PROFIT		1,252,651	1,259,547
Administrative expenses		(1,389,298)	(1,420,957)
Exceptional administrative expenses		-	(322,349)
Total administrative expenses		(1,389,298)	(1,743,306)
Other operating income	3	16,122	13,472
OPERATING LOSS	5	(120,525)	(470,287)
Interest receivable and similar income		10	412
Interest payable and similar charges	9	(112,256)	(68,117)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(232,771)	(537,992)
Tax on loss on ordinary activities	10	-	-
LOSS FOR THE FINANCIAL PERIOD	18	(232,771)	(537,992)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account.

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

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 2 April 2011

	year ended 2 April 2011 £	year ended 27 March 2010 £
REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(232,771)	(537,992)
Difference between a historical cost depreciation charge and the actual depreciation charge for the Year calculated on the revalued amount	5,697	-
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(227,074)	(537,992)
HISTORICAL LOSS FOR THE YEAR AFTER TAXATION	(227,074)	(537,992)

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

FOUNDATION INNS PLC
Registered number: 06058816

BALANCE SHEET
as at 2 April 2011

	Note	£	2 April 2011 £	£	27 March 2010 £
FIXED ASSETS					
Intangible assets	11		101,663		111,595
Tangible assets	12		6,007,751		6,231,004
			<u>6,109,414</u>		<u>6,342,599</u>
CURRENT ASSETS					
Stocks	13	54,707		41,432	
Debtors	14	307,336		248,384	
Cash at bank and in hand		116,020		172,585	
			<u>478,063</u>	<u>462,401</u>	
CREDITORS: amounts falling due within one year	15		<u>(698,534)</u>	<u>(675,726)</u>	
NET CURRENT LIABILITIES			<u>(220,471)</u>	<u>(213,325)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,888,943</u>	<u>6,129,274</u>	
CREDITORS: amounts falling due after more than one year	16		<u>(3,057,245)</u>	<u>(3,064,805)</u>	
NET ASSETS			<u><u>2,831,698</u></u>	<u><u>3,064,469</u></u>	
CAPITAL AND RESERVES					
Called up share capital	17		2,912,223		2,912,223
Share premium account	18		2,414,742		2,414,742
Revaluation reserve	18		276,802		282,499
Profit and loss account	18		(2,772,069)		(2,544,995)
SHAREHOLDERS' FUNDS	19		<u><u>2,831,698</u></u>	<u><u>3,064,469</u></u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 August 2011.

R Barclay
 Director

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

FOUNDATION INNS PLC

CASH FLOW STATEMENT for the year ended 2 April 2011

	Note	year ended 2 April 2011 £	year ended 27 March 2010 £
Net cash flow from operating activities	20	153,001	137,952
Returns on investments and servicing of finance	21	(112,246)	(67,705)
Capital expenditure and financial investment	21	(59,908)	(643,562)
CASH OUTFLOW BEFORE FINANCING		(19,153)	(573,315)
Financing	21	(7,560)	634,239
(DECREASE)/INCREASE IN CASH IN THE YEAR		(26,713)	60,924

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT for the year ended 2 April 2011

	year ended 2 April 2011 £	year ended 27 March 2010 £
(Decrease)/Increase in cash in the Year	(26,713)	60,924
Cash outflow from decrease in debt and lease financing	7,560	(634,239)
MOVEMENT IN NET DEBT IN THE YEAR	(19,153)	(573,315)
Net debt at 28 March 2010	(2,922,072)	(2,348,757)
NET DEBT AT 2 APRIL 2011	(2,941,225)	(2,922,072)

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 2 April 2011

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.

Revenue is recognised when the customer receives goods and the risks and rewards of ownership are passed to them.

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 not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Fixtures & fittings	-	12.5% straight line

1.5 REVALUATION OF TANGIBLE FIXED ASSETS

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.

1.6 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.

1.7 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 2 April 2011

1. ACCOUNTING POLICIES (continued)

1.8 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.

1.9 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

	year ended 2 April 2011 £	year ended 27 March 2010 £
Net rents receivable	16,122	13,472

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 2 April 2011

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.

	year ended 2 April 2011 £	year ended 27 March 2010 £
Impairment losses on goodwill	-	144,881
Impairment losses on freehold property	-	154,806
Impairment losses on fixtures & fittings	-	22,662
	<u>-</u>	<u>322,349</u>

5. OPERATING LOSS

The operating loss is stated after charging:

	year ended 2 April 2011 £	year ended 27 March 2010 £
Amortisation - intangible fixed assets	9,932	14,629
Depreciation of tangible fixed assets: - owned by the company	283,161	250,676
Exceptional administrative expenses	-	322,349
	<u>-</u>	<u>322,349</u>

6. AUDITORS' REMUNERATION

	year ended 2 April 2011 £	year ended 27 March 2010 £
Fees payable to the company's auditor for the audit of the company's annual accounts	8,884	11,250
Fees payable to the company's auditor and its associates in respect of: Other services relating to taxation	2,000	2,000
	<u>10,884</u>	<u>13,250</u>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 2 April 2011

7. STAFF COSTS

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

	year ended 2 April 2011 £	year ended 27 March 2010 £
Wages and salaries	884,298	870,935
Social security costs	71,896	55,276
	<u>956,194</u>	<u>926,211</u>

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

	year ended 2 April 2011 No.	year ended 27 March 2010 No.
Staff	77	68
Directors	5	6
	<u>82</u>	<u>74</u>

8. DIRECTORS' REMUNERATION

	year ended 2 April 2011 £	year ended 27 March 2010 £
Emoluments	129,829	160,294
Amounts paid to third parties for directors' remuneration services	14,213	15,961

9. INTEREST PAYABLE

	year ended 2 April 2011 £	year ended 27 March 2010 £
On bank loans and overdrafts	112,256	68,117

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 2 April 2011

10. TAXATION

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 21% (2010 - 21%).

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There is a deferred taxation asset in respect of trading losses carried forward which has not been recognised in the financial statements because there is insufficient evidence available that the asset will be recoverable. The asset that has not been recognised is approximately £471,000 (2010: £453,000)

11. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 28 March 2010 and 2 April 2011	841,938
AMORTISATION	
At 28 March 2010	730,343
Charge for the Year	9,932
At 2 April 2011	740,275
NET BOOK VALUE	
At 2 April 2011	101,663
At 27 March 2010	111,595

12. TANGIBLE FIXED ASSETS

	Freehold & Leasehold property £	Fixtures & fittings £	Total £
COST OR VALUATION			
At 28 March 2010	6,469,019	1,187,543	7,656,562
Additions	25,625	34,283	59,908
At 2 April 2011	6,494,644	1,221,826	7,716,470
DEPRECIATION			
At 28 March 2010	1,133,553	292,005	1,425,558
Charge for the Year	133,597	149,564	283,161
At 2 April 2011	1,267,150	441,569	1,708,719
NET BOOK VALUE			
At 2 April 2011	5,227,494	780,257	6,007,751
At 27 March 2010	5,335,466	895,538	6,231,004

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 2 April 2011

12. TANGIBLE FIXED ASSETS (continued)

At 02 April 2011, included within in net book value of Freehold and Leasehold property is £62,286 (2010: £61,084) of Leasehold property that relates to The Glasshouse.

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

Cost or valuation at 2 April 2011 is as follows:

	Land and buildings £
AT COST	5,730,574
2009 open market value basis	764,070
	<u>6,494,644</u>

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

	2 April 2011 £	27 March 2010 £
Cost	5,730,574	5,704,949
Accumulated depreciation	(565,497)	(450,886)
Net book value	<u>5,165,077</u>	<u>5,254,063</u>

13. STOCKS

	2 April 2011 £	27 March 2010 £
Finished goods and goods for resale	54,707	41,432

14. DEBTORS

	2 April 2011 £	27 March 2010 £
Trade debtors	1,520	388
Other debtors	45,333	44,891
Prepayments and accrued income	260,483	203,105
	<u>307,336</u>	<u>248,384</u>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 2 April 2011

15. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 April 2011 £	27 March 2010 £
Bank loans and overdrafts	-	29,852
Trade creditors	236,245	209,089
Social security and other taxes	79,078	63,076
Other creditors	14,817	20,432
Accruals and deferred income	368,394	353,277
	<u>698,534</u>	<u>675,726</u>

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

	2 April 2011 £	27 March 2010 £
Bank loans	<u>3,057,245</u>	<u>3,064,805</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%.

17. SHARE CAPITAL

	2 April 2011 £	27 March 2010 £
ALLOTTED, CALLED UP AND FULLY PAID		
5,823,446 Ordinary Shares shares of £0.50 each	2,911,723	2,911,723
1,000 Ordinary A Shares shares of £0.50 each	500	500
	<u>2,912,223</u>	<u>2,912,223</u>

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18. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 28 March 2010	2,414,742	282,499	(2,544,995)
Loss for the Year			(232,771)
Transfer between Revaluation reserve and P/L account		(5,697)	5,697
	<u>2,414,742</u>	<u>276,802</u>	<u>(2,772,069)</u>
At 2 April 2011	<u>2,414,742</u>	<u>276,802</u>	<u>(2,772,069)</u>

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2 April 2011 £	27 March 2010 £
Opening shareholders' funds	3,064,469	3,602,461
Loss for the Year/52 weeks	(232,771)	(537,992)
	<u>2,831,698</u>	<u>3,064,469</u>
Closing shareholders' funds	<u>2,831,698</u>	<u>3,064,469</u>

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	year ended 2 April 2011 £	year ended 27 March 2010 £
Operating loss	(120,525)	(470,287)
Amortisation of intangible fixed assets	9,932	14,629
Depreciation of tangible fixed assets	283,161	250,676
Impairments of fixed assets	-	322,352
(Increase)/decrease in stocks	(13,275)	1,673
Increase in debtors	(58,952)	(43,691)
Increase in creditors	52,660	62,600
	<u>153,001</u>	<u>137,952</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>153,001</u>	<u>137,952</u>

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

	year ended 2 April 2011 £	year ended 27 March 2010 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	10	412
Interest paid	(112,256)	(68,117)
	<u>(112,246)</u>	<u>(67,705)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(112,246)</u>	<u>(67,705)</u>

NOTES TO THE FINANCIAL STATEMENTS
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21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	year ended 2 April 2011 £	year ended 27 March 2010 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	<u>(59,908)</u>	<u>(643,562)</u>
	year ended 2 April 2011 £	year ended 27 March 2010 £
FINANCING		
New secured loans	-	634,239
Repayment of loans	<u>(7,560)</u>	<u>-</u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	<u><u>(7,560)</u></u>	<u><u>634,239</u></u>

22. ANALYSIS OF CHANGES IN NET DEBT

	28 March 2010 £	Cash flow £	Other non-cash changes £	2 April 2011 £
Cash at bank and in hand	172,585	(56,565)	-	116,020
Bank overdraft	(29,852)	29,852	-	-
	<u>142,733</u>	<u>(26,713)</u>	<u>-</u>	<u>116,020</u>
DEBT:				
Debts due within one year	-	7,560	(7,560)	-
Debts falling due after more than one year	(3,064,805)	-	7,560	(3,057,245)
NET DEBT	<u><u>(2,922,072)</u></u>	<u><u>(19,153)</u></u>	<u><u>-</u></u>	<u><u>(2,941,225)</u></u>

23. RELATED PARTY TRANSACTIONS

During the year the company incurred charges of £22,259 (2010: £22,505) 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.

During the year the company incurred charges of £33,344 from Flagstone Inns Limited, a company in which G Drew and I Grundy are directors and shareholders, 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.

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24. 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.