

FOUNDATION INNS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the period ended 29 March 2008

FOUNDATION INNS PLC

COMPANY INFORMATION

DIRECTORS

R Barclay (appointed 19/01/07)
G Drew (appointed 19/01/07)
M Foster (appointed 05/04/07)
I Grundy (appointed 19/01/07)
N Preston (appointed 26/03/08)
H Pring (appointed 17/12/07)

COMPANY SECRETARY

R Barclay

COMPANY NUMBER

06058816

REGISTERED OFFICE

50 Regent Street
London
W1R 6LP

AUDITORS

Smith Cooper
Chartered Accountants & Registered 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 period ended 29 March 2008

The directors present their report and the financial statements for the period ended 29 March 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). 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 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 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.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a public house operator. The company was incorporated on 19 January 2007 and these accounts cover the period from incorporation to 31 March 2008.

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.

This is our first year of trading after raising £5.64m of equity between April and July 2007 via the Enterprise Initiative Scheme (EIS) in order to invest in public houses.

As an EIS funded pub retailing business our goal is to produce a level of return for our shareholders with moderate risk by investing in underperforming pub assets that we feel we can further develop. To this end the company's activities during the year have been largely to

- set up the business with appropriate supply chain structures
- establish an appropriate level of debt finance
- identify sites for acquisition and investment
- project manage the investment and redevelopment of acquired sites
- identify and employ the right staff to run the sites once acquired
- manage the individual pub businesses profitably

Our first acquisition was in October 2007, The Vine in Walton on Thames, which was closed for refurbishment in February 2008 and re-opened 6 weeks later for trading. Development work continued for the creation of three new flats at the site, in addition to the existing three flats that were already in situ.

The next acquisition was a package of five sites (four freehold and one leasehold) from the Ladhar Group based in the North East of England. The five sites that we acquired constituted a major part of their Southern division and these sites offer good potential to develop and uplift performance as they have received relatively low levels of investment in recent years.

FOUNDATION INNS PLC

DIRECTORS' REPORT for the period ended 29 March 2008

BUSINESS REVIEW (continued)

The Ladhar acquisition was only completed during the month of March with one site (the leasehold) still to complete, so there are no real performance comparisons to comment upon other than that the sites are trading in line with expectations from our purchase due diligence.

During the year, measurement of key financial performance indicators was limited given the embryonic nature of our business but one of our key objectives was to conform to the rules governing EIS companies and commit to investing the majority of the equity raised within the first twelve months of closing the offer. With the acquisition of the sites referred to above, we fully invested the equity within seven months.

For the period to 29 March 2008, other key performance indicators reflect that turnover was £228,648 with a gross profit (or collective site profit) of £41,863. Central overheads including directors' costs and expenses amounted to £297,528, returning a net loss for the period of £255,665.

During the year we secured loan funding at a very competitive rate which will help us realise our acquisition plans. The total facility based on the assets as at the year end is for £3.8m of which we have drawn down approximately £1.4m. The principal loan term is for a period of 4 years repayable at the end of the term and the initial agreement is set at a maximum of 60% loan to value against assets that are purchased.

The industry is facing tough challenges ahead in the next few months as a result of increased food prices and fuel costs, the smoking ban and other government legislation and the overall impact on consumer expenditure of the economic slowdown.

Access to finance as a result of the credit crunch may also impact upon the company's ability to realise further investment opportunities, but it is likely that the economic pressures (as mentioned above) may also lead to further acquisition opportunities as companies or individual operators look to down-size their estates of their assets by disposing of pubs that they deem to be 'non core' or do not have the necessary capital to invest in. However, given the uncertain nature of the risks of the economic climate at this time, we are aware that any plans for the future development of the business may be subject to unforeseen events outside of our control.

RESULTS

The loss for the period, after taxation, amounted to £255,665.

DIRECTORS

The directors who served during the period were:

R Barclay (appointed 19/01/07)
G Drew (appointed 19/01/07)
M Foster (appointed 05/04/07)
I Grundy (appointed 19/01/07)
N Preston (appointed 26/03/08)
H Pring (appointed 17/12/07)

FOUNDATION INNS PLC

DIRECTORS' REPORT for the period ended 29 March 2008

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 29 March 2008 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

The auditors, Smith Cooper, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 25 July 2008 and signed on its behalf.

R Barclay
Secretary

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 period ended 29 March 2008, set out on pages 6 to 17. These financial statements have been prepared in accordance with 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 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 judgments 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.

FOUNDATION INNS PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FOUNDATION INNS 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 29 March 2008 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.

SMITH COOPER

Chartered Accountants

Registered Auditors

Wilmot House

St James Court

Friar Gate

Derby

DE1 1BT

25 July 2008

FOUNDATION INNS PLC

PROFIT AND LOSS ACCOUNT for the period ended 29 March 2008

| | Note | 2008 £ |
|--|------|-----------------------------|
| TURNOVER | | |
| Cost of sales | 1,2 | 228,648 <u>(186,785)</u> |
| GROSS PROFIT | | 41,863 |
| Administrative expenses | | <u>(448,948)</u> |
| OPERATING LOSS | | (407,085) |
| Interest receivable | 3 | 152,107 |
| Interest payable | 7 | <u>(687)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (255,665) |
| Tax on loss on ordinary activities | | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>(255,665)</u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 other than those included in the profit and loss account.

The notes on pages 9 to 17 form part of these financial statements.

FOUNDATION INNS PLC

BALANCE SHEET as at 29 March 2008

| | Note | £ | 2008 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible fixed assets | 8 | | 841,938 |
| Tangible fixed assets | 9 | | 6,502,920 |
| | | | <u>7,344,858</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 41,549 | |
| Debtors | 11 | 262,289 | |
| Cash at bank and in hand | | 34,345 | |
| | | <u>338,183</u> | |
| CREDITORS: amounts falling due within one year | 12 | <u>(1,227,554)</u> | |
| NET CURRENT LIABILITIES | | | <u>(889,371)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>6,455,487</u> |
| CREDITORS: amounts falling due after more than one year | 13 | | <u>(1,384,187)</u> |
| NET ASSETS | | | <u>5,071,300</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | | 2,912,223 |
| Share premium account | 15 | | 2,414,742 |
| Profit and loss account | | | <u>(255,665)</u> |
| SHAREHOLDERS' FUNDS | 16 | | <u>5,071,300</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 July 2008.

R Barclay
Director

The notes on pages 9 to 17 form part of these financial statements.

FOUNDATION INNS PLC

CASH FLOW STATEMENT for the period ended 29 March 2008

| | Note | 2008 £ |
|---|------|--------------------|
| Net cash flow from operating activities | 17 | 544,080 |
| Returns on investments and servicing of finance | 18 | 151,420 |
| Capital expenditure and financial investment | 18 | (7,372,307) |
| CASH OUTFLOW BEFORE FINANCING | | (6,676,807) |
| Financing | 18 | 6,711,152 |
| INCREASE IN CASH IN THE PERIOD | | 34,345 |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT for the period ended 29 March 2008

| | 2008 £ |
|---|--------------------|
| Increase in cash in the period | 34,345 |
| Cash inflow from increase in debt and lease financing | (1,384,187) |
| MOVEMENT IN NET DEBT IN THE PERIOD | (1,349,842) |
| NET DEBT AT 29 MARCH 2008 | (1,349,842) |

The notes on pages 9 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention 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.

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

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

| | | | |
|---------------------|---|-----|---------------|
| Freehold property | - | 2% | straight line |
| Fixtures & fittings | - | 20% | straight line |

1.5 OPERATING LEASES

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

1. ACCOUNTING POLICIES (continued)

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. OPERATING LOSS

The operating loss is stated after charging:

| | |
|--|----------------------|
| | 2008 |
| | £ |
| Amortisation - intangible fixed assets | 1,667 |
| Depreciation of tangible fixed assets: - owned by the company | 25,782 |
| | <u>25,782</u> |

4. AUDITORS' REMUNERATION

| | |
|--|----------------------|
| | 2008 |
| | £ |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 4,500 |
| Fees payable to the company's auditor and its associates in respect of: Other services relating to taxation | 35,500 |
| | <u>35,500</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

5. STAFF COSTS

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

| | |
|-----------------------|----------------|
| | 2008 |
| | £ |
| Wages and salaries | 273,307 |
| Social security costs | 24,773 |
| | <hr/> |
| | 298,080 |
| | <hr/> <hr/> |

The average monthly number of employees, including the directors, during the period since the public houses have been operated was as follows:

| | |
|-----------|-------------|
| | 2008 |
| | No. |
| Staff | 24 |
| Directors | 5 |
| | <hr/> |
| | 29 |
| | <hr/> <hr/> |

6. DIRECTORS' REMUNERATION

| | |
|--|----------------|
| | 2008 |
| | £ |
| Emoluments | 172,765 |
| | <hr/> <hr/> |
| Amounts paid to third parties for directors' remuneration services | 18,432 |
| | <hr/> <hr/> |

7. INTEREST PAYABLE

| | |
|------------------------------|-------------|
| | 2008 |
| | £ |
| On bank loans and overdrafts | 687 |
| | <hr/> <hr/> |

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

8. INTANGIBLE FIXED ASSETS

| | Goodwill £ |
|-----------------------|-----------------------|
| COST | |
| Additions | 843,605 |
| At 29 March 2008 | <u>843,605</u> |
| AMORTISATION | |
| Charge for the period | 1,667 |
| At 29 March 2008 | <u>1,667</u> |
| NET BOOK VALUE | |
| At 29 March 2008 | <u><u>841,938</u></u> |

9. TANGIBLE FIXED ASSETS

| | Land and buildings £ | Furniture, fittings and equipment £ | Total £ |
|-----------------------|----------------------------|--|-------------------------|
| COST | | | |
| At 19 January 2007 | - | - | - |
| Additions | 5,899,754 | 628,948 | 6,528,702 |
| At 29 March 2008 | <u>5,899,754</u> | <u>628,948</u> | <u>6,528,702</u> |
| DEPRECIATION | | | |
| At 19 January 2007 | - | - | - |
| Charge for the period | 18,996 | 6,786 | 25,782 |
| At 29 March 2008 | <u>18,996</u> | <u>6,786</u> | <u>25,782</u> |
| NET BOOK VALUE | | | |
| At 29 March 2008 | <u><u>5,880,758</u></u> | <u><u>622,162</u></u> | <u><u>6,502,920</u></u> |

10. STOCKS

| | |
|-------------------------------------|----------------------|
| | 2008 £ |
| Finished goods and goods for resale | <u><u>41,549</u></u> |

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

11. DEBTORS

| | 2008 £ |
|--------------------------------|----------------|
| Other debtors | 205,362 |
| Prepayments and accrued income | 56,927 |
| | <hr/> |
| | 262,289 |
| | <hr/> <hr/> |

**12. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2008 £ |
|---------------------------------|------------------|
| Trade creditors | 258,802 |
| Amount due for fixed assets | 680,000 |
| Social security and other taxes | 16,588 |
| Other creditors | 17,491 |
| Accruals and deferred income | 254,673 |
| | <hr/> |
| | 1,227,554 |
| | <hr/> <hr/> |

**13. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

| | 2008 £ |
|------------|------------------|
| Bank loans | 1,384,187 |
| | <hr/> |
| | 1,384,187 |
| | <hr/> <hr/> |

The bank loans are stated net of unamortised issue costs of £15,813. Total issue costs incurred in the year were £16,500 and 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 and is repayable in one instalment at the end of the four year term. Interest on the loan is charged at 1% above bank base rate.

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

14. SHARE CAPITAL

| | 2008 £ |
|---|------------------|
| AUTHORISED | |
| 10,000,000 Ordinary Shares shares of 50p each | 5,000,000 |
| 1,200 Ordinary A Shares shares of 50p each | 600 |
| | 5,000,600 |
| | 5,000,600 |
| ALLOTTED, CALLED UP AND FULLY PAID | |
| 5,823,446 Ordinary Shares shares of 50p each | 2,911,723 |
| 1,000 Ordinary A Shares shares of 50p each | 500 |
| | 2,912,223 |
| | 2,912,223 |

The company was incorporated with an authorised share capital of £50,000 comprising 50,000 ordinary shares of £1 each. On 14 February 2007 the shares were subdivided into 100,000 ordinary shares of 50p each. On the same date the authorised share capital was increased to £5,000,000 by the creation of a further 9,900,000 ordinary shares of 50p each. Also on 14 February 2007 the authorised share capital was increased by a further £600 by the creation of 1,200 ordinary A shares of 50p each.

On 14 February 2007 120,000 ordinary shares of 50p each and 900 ordinary A shares of 50p each were issued at par for cash. On 5 April 2007 30,000 ordinary shares of 50p each and 100 ordinary A shares of 50p each were issued at par for cash.

Further ordinary shares of 50p each were issued during the period at £1 each for cash as follows: 1,873,000 shares on 5 April 2007, 2,315,986 shares on 29 June 2007, 741,650 shares on 6 July 2007 201,750 shares on 13 July 2007 and 541,150 shares on 18 July 2007.

15. RESERVES

| | Share premium account £ |
|--|---|
| Premium on shares issued during the period | 2,836,724 |
| Issue costs | (421,982) |
| | 2,414,742 |
| At 29 March 2008 | 2,414,742 |

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2008 £ |
|--|-------------|
| Opening shareholders' funds | - |
| Loss for the period | (255,665) |
| Shares issued during the period | 2,912,223 |
| Share premium on shares issued (net of expenses) | 2,414,742 |
| | <hr/> |
| Closing shareholders' funds | 5,071,300 |
| | <hr/> <hr/> |

17. NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2008 £ |
|---|----------------|
| Operating loss | (407,085) |
| Amortisation of intangible fixed assets | 1,667 |
| Depreciation of tangible fixed assets | 25,782 |
| Increase in stocks | (41,549) |
| Increase in debtors | (262,289) |
| Increase in creditors | 1,227,554 |
| | <hr/> |
| NET CASH INFLOW FROM OPERATIONS | 544,080 |
| | <hr/> <hr/> |

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

| | 2008 £ |
|---|--------------------|
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | |
| Interest received | 152,107 |
| Interest paid | (687) |
| | <hr/> |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | 151,420 |
| | <hr/> <hr/> |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | |
| Purchase of intangible fixed assets | (843,605) |
| Purchase of tangible fixed assets | (6,528,702) |
| | <hr/> |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | (7,372,307) |
| | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

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

| | 2008 £ |
|---------------------------------------|------------------|
| FINANCING | |
| Issue of ordinary shares | 5,326,965 |
| New secured loans | 1,384,187 |
| | <hr/> |
| NET CASH INFLOW FROM FINANCING | 6,711,152 |
| | <hr/> <hr/> |

19. ANALYSIS OF CHANGES IN NET DEBT

| | 19 January 2007 £ | Cash flow £ | Other non-cash changes £ | 29 March 2008 £ |
|--|-------------------------|--------------------|-----------------------------------|-----------------------|
| Cash at bank and in hand: | - | 34,345 | - | 34,345 |
| DEBT: | | | | |
| Debts falling due after more than one year | - | (1,384,187) | - | (1,384,187) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET FUNDS | - | (1,349,842) | - | (1,349,842) |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

20. OPERATING LEASE COMMITMENTS

At 29 March 2008 the company had annual commitments under non-cancellable operating leases as follows:

| | 2008 £ |
|-----------------------|-------------|
| EXPIRY DATE: | |
| Between 2 and 5 years | 1,326 |
| | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 29 March 2008

21. RELATED PARTY TRANSACTIONS

During the period the company paid Cairneagle Associates LLP, a business in which R Barclay is a partner, amounts of £41,871 in respect of fundraising fees and £18,546 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.

22. 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.

FOUNDATION INNS PLC

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT for the period ended 29 March 2008

| | Page | 2008 £ |
|----------------------------|-------------|-------------------|
| Turnover | 19 | 228,648 |
| Cost of sales | 19 | (186,785) |
| | | <hr/> |
| Gross profit | | 41,863 |
| Gross profit % | | 18.3 % |
| Less: Overheads | | |
| Administration expenses | 19 | (448,948) |
| | | <hr/> |
| Operating loss | | (407,085) |
| Interest receivable | 20 | 152,107 |
| Interest payable | 20 | (687) |
| | | <hr/> |
| Loss for the period | | (255,665) |
| | | <hr/> <hr/> |

FOUNDATION INNS PLC

SCHEDULE TO THE DETAILED ACCOUNTS for the period ended 29 March 2008

| | 2008 £ |
|-----------------|-------------|
| Turnover | |
| Liquor Sales | 192,623 |
| Food Sales | 33,264 |
| Other Income | 2,761 |
| | <hr/> |
| | 228,648 |
| | <hr/> <hr/> |

| | 2008 £ |
|---------------------------|-------------|
| Cost of sales | |
| Purchases - raw materials | 80,961 |
| Wages and salaries | 100,542 |
| National insurance | 5,282 |
| | <hr/> |
| | 186,785 |
| | <hr/> <hr/> |

| | 2008 £ |
|---|-------------|
| Administration expenses | |
| Directors salaries | 155,843 |
| Non-exec directors fees | 16,922 |
| Sums paid to 3rd parties for directors services | 18,432 |
| Staff national insurance | 19,491 |
| Motor running costs | 45,684 |
| Entertainment | 2,592 |
| Printing and stationery | 9,397 |
| Telephone and fax | 969 |
| Advertising and promotion | 747 |
| Legal and professional | 15,804 |
| Auditors' remuneration | 4,500 |
| Accountancy costs | 6,556 |
| Bank charges | 2,004 |
| Sundry expenses | 10,845 |
| Rent and rates | 24,753 |
| Light and heat | 12,415 |
| Cleaning | 3,629 |
| Insurances | 2,132 |
| Repairs and maintenance | 30,507 |
| Depreciation - plant and machinery | 6,786 |
| Amortisation - intangible fixed assets | 1,667 |
| Depreciation - freehold property | 18,996 |
| Asset Management Costs | 28,412 |
| IFA trail commissions | 9,865 |
| | <hr/> |
| | 448,948 |
| | <hr/> <hr/> |

FOUNDATION INNS PLC

**SCHEDULE TO THE DETAILED ACCOUNTS
for the period ended 29 March 2008**

| | 2008 |
|----------------------------|----------------|
| | £ |
| Interest receivable | |
| Bank interest receivable | 152,107 |

| | 2008 |
|----------------------------|-------------|
| | £ |
| Interest payable | |
| Bank loan interest payable | 687 |