

FOUNDATION INNS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the 52 weeks ended 28 March 2009

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

Liberty House 222
Regent Street
London
W1B 5TR

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 52 weeks ended 28 March 2009

The directors present their report and the financial statements for the 52 weeks ended 28 March 2009.

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.

RESULTS

The loss for the 52 weeks, after taxation, amounted to £1,753,709 (2008 - loss £255,665).

DIRECTORS

The directors who served during the 52 weeks were:

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

PRINCIPAL ACTIVITIES

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

FOUNDATION INNS PLC

DIRECTORS' REPORT for the 52 weeks ended 28 March 2009 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.

During the year to March 2009 we have concentrated efforts on re-positioning and developing five properties that we purchased from Ladhur Leisure. Four of the properties, namely the White Horse (Chelmsford), the Village (Walthamstow Village), the Tavern (Melksham) and the Kings Head and Bell (Abingdon) were acquired in March 2008 with the acquisition of the lease of the Glass House (Lincoln) following at the end of June 2008.

During the year we have closed three of these sites for refurbishment and redevelopment. The Glass House re-opened in September 2008, the Tavern re-opened in November 2008 and the White Horse re-opened in January 2009. The financial results to March 2009 therefore reflect a period of time for these assets where there was no turnover but fixed costs were incurred.

The Kings Head and Bell, which was purchased as a closed site, is still currently closed but we are pleased to be able to report that we have now been granted listed building planning consent to carry out the alterations that we propose with the redevelopment starting around September 2009.

Post our development programmes, we have been encouraged by the performance of sites that were developed in the year to March 2009. These have shown a significant increase in turnover over the previous year's trading activity. In addition, the Noble Vine (our first acquisition in October 2007) is now in its second year following redevelopment and is still trading considerably in excess of the prior year's sales turnover. We believe, therefore, that the financial year to March 2010 will benefit from the full year effect of improved trade in those sites which have been closed for part of this financial year.

Despite this, we remain very cautious in the near-term due to the lack of forward visibility on trading outlook. Our industry is facing very tough challenges ahead as a result of numerous factors which include increased supply prices (including duty escalators), increased fuel costs, potential further government legislation (particularly with regard to pricing) and the overall impact on consumer expenditure of the economic slowdown where unemployment figures are continually rising. The second half of 2008 saw the UK slip into an economic recession for the first time since the early 1990's. The worsening economic environment has resulted in a marked reduction in consumer spending levels which has adversely impacted trade across the already embattled licensing industry. This has been widely covered in the UK press with leisure companies, large and small, severely impacted. The pressure on the "leisure pound", therefore, will not slow down during the next 12 months and perhaps the biggest threat to the industry, the business and economy as a whole, is the potential spread of swine flu. The repercussions on employee sickness and the reduction in the consumer market could have a significant impact on trading.

Given the outlook in the near-term the Board consider it prudent to impair the values of a number of our pubs by a total of £1.2m to reflect the reduction in value of the Company's assets; these are not independently re-valued during the EIS three year mandatory holding period. The falls in value can be attributed to the general decline in property asset values across the UK. This impairment is consistent with recent industry trends on asset values.

This impairment provision is an estimate and therefore the realisable Net Asset Value per share of the Company may vary significantly from the figure reported above.

We have increased the value of the Kings Head and Bell in Abingdon by £0.3m to reflect the fact that we have completed essential repair and dilapidation works and received full planning permission from both local and listed building planners for the proposed development to go ahead.

Key performance indicators for the year to March 2009 reflect that turnover was £2.1m with an operating loss of £0.4m before exceptional costs. Central overhead costs included within this figure amounted to £0.4m, excluding bank interest and charges. Outlet profit for the year, which included relevant closure periods for sites under redevelopment, was break even and outlet EBITDA was £0.3m.

FOUNDATION INNS PLC

DIRECTORS' REPORT for the 52 weeks ended 28 March 2009

BUSINESS REVIEW (continued)

During the year we drew down on our debt facilities to carry out the redevelopments of the pubs we bought and ended the year with net debt of £2.3m. The debt is repayable in February 2012. Debt will increase during the course of the financial year to 31 March 2010 before reducing thereafter as we generate operating cash flows. We have entered into hedging arrangements over a substantial portion of our debt to fix our rates at what we believe are historically low levels.

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 28 March 2009 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 11 August 2009 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 28 March 2009, set out on pages 6 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF 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 28 March 2009 and of its loss, for the 52 weeks 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

11 August 2009

FOUNDATION INNS PLC

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
TURNOVER	1,2	2,106,123	228,648
Cost of sales		<u>(1,133,496)</u>	<u>(186,785)</u>
GROSS PROFIT		972,627	41,863
Administrative expenses		(1,384,026)	(448,948)
Exceptional administrative expenses	3	(1,259,431)	-
Total administrative expenses		<u>(2,643,457)</u>	(448,948)
Other operating income	3	5,515	-
OPERATING LOSS	5	(1,665,315)	(407,085)
EXCEPTIONAL ITEMS	10		
Net profit on sale of tangible fixed assets	10	12,428	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(1,652,887)	(407,085)
Interest receivable		7,120	152,107
Interest payable	9	(107,942)	(687)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,753,709)	(255,665)
Tax on loss on ordinary activities		-	-
LOSS FOR THE FINANCIAL PERIOD		(1,753,709)	(255,665)

All amounts relate to continuing operations.

The notes on pages 10 to 20 form part of these financial statements.

FOUNDATION INNS PLC

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 weeks ended 28 March 2009**

	Note	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
LOSS FOR THE FINANCIAL 52 WEEKS		(1,753,709)	(255,665)
Unrealised surplus on revaluation of tangible fixed assets		<u>284,873</u>	<u>-</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE 52 WEEKS		<u><u>(1,468,836)</u></u>	<u><u>(255,665)</u></u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the 52 weeks ended 28 March 2009**

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(1,753,709)</u>	<u>(255,665)</u>
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u><u>(1,753,709)</u></u>	<u><u>(255,665)</u></u>
HISTORICAL LOSS FOR THE 52 WEEKS AFTER TAXATION	<u><u>(1,753,709)</u></u>	<u><u>(255,665)</u></u>

The notes on pages 10 to 20 form part of these financial statements.

FOUNDATION INNS PLC

**BALANCE SHEET
as at 28 March 2009**

	Note	£	28 March 2009 £	£	29 March 2008 £
FIXED ASSETS					
Intangible fixed assets	11		271,104		841,938
Tangible fixed assets	12		6,015,586		6,502,920
			<u>6,286,690</u>		<u>7,344,858</u>
CURRENT ASSETS					
Stocks	13	43,105		41,549	
Debtors	14	204,697		262,289	
Cash at bank and in hand		81,809		34,345	
			<u>329,611</u>	<u>338,183</u>	
CREDITORS: amounts falling due within one year	15	(583,271)		(1,227,554)	
			<u>(253,660)</u>	<u>(889,371)</u>	
NET CURRENT LIABILITIES					
			<u>6,033,030</u>		<u>6,455,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS: amounts falling due after more than one year	16		(2,430,566)		(1,384,187)
			<u>3,602,464</u>		<u>5,071,300</u>
NET ASSETS					
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		284,873		-
Profit and loss account	18		(2,009,374)		(255,665)
			<u>3,602,464</u>		<u>5,071,300</u>
SHAREHOLDERS' FUNDS					
	19		<u>3,602,464</u>		<u>5,071,300</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 August 2009.

R Barclay
Director

The notes on pages 10 to 20 form part of these financial statements.

FOUNDATION INNS PLC

**CASH FLOW STATEMENT
for the 52 weeks ended 28 March 2009**

	Note	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Net cash flow from operating activities	20	(711,096)	544,080
Returns on investments and servicing of finance	21	(100,822)	151,420
Capital expenditure and financial investment	21	(186,997)	(7,372,307)
CASH OUTFLOW BEFORE FINANCING		(998,915)	(6,676,807)
Financing	21	1,046,379	6,711,152
INCREASE IN CASH IN THE 52 WEEKS		47,464	34,345

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
for the 52 weeks ended 28 March 2009**

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Increase in cash in the 52 weeks	47,464	34,345
Cash inflow from increase in debt and lease financing	(1,046,379)	(1,384,187)
MOVEMENT IN NET DEBT IN THE 52 WEEKS	(998,915)	(1,349,842)
Net debt at 30 March 2008	(1,349,842)	-
NET DEBT AT 28 MARCH 2009	(2,348,757)	(1,349,842)

The notes on pages 10 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 28 March 2009

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. Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired.

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	-	20%	straight line

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 28 March 2009

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 28 March 2009 £	Period ended 29 March 2008 £
Net rents receivable	5,515	-

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 28 March 2009**

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 28 March 2009 £	Period ended 29 March 2008 £
Impairment losses on goodwill	526,772	-
Impairment losses on freehold property	732,659	-
	<u>1,259,431</u>	<u>-</u>

5. OPERATING LOSS

The operating loss is stated after charging:

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Amortisation - intangible fixed assets	44,062	1,667
Depreciation of tangible fixed assets: - owned by the company	238,973	25,782
Exceptional administrative expenses	<u>1,259,431</u>	<u>-</u>

6. AUDITORS' REMUNERATION

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Fees payable to the company's auditor for the audit of the company's annual accounts	10,000	4,500
Fees payable to the company's auditor and its associates in respect of: Other services relating to taxation	<u>2,000</u>	<u>-</u>

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 28 March 2009

7. STAFF COSTS

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

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Wages and salaries	780,926	273,307
Social security costs	54,954	24,773
	<u>835,880</u>	<u>298,080</u>

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

	52 weeks ended 28 March 2009 No.	Period ended 29 March 2008 No.
Staff	38	24
Directors	6	5
	<u>44</u>	<u>29</u>

8. DIRECTORS' REMUNERATION

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Emoluments	190,353	172,765
Amounts paid to third parties for directors' remuneration services	12,844	18,432

9. INTEREST PAYABLE

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
On bank loans and overdrafts	107,942	687

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 28 March 2009

10. EXCEPTIONAL ITEMS

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Profit on disposal of fixed asset	12,428	-

11. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 30 March 2008 and 28 March 2009	841,938
AMORTISATION	
Charge for the period	44,062
Impairment charge	526,772
At 28 March 2009	570,834
NET BOOK VALUE	
At 28 March 2009	271,104
At 29 March 2008	841,938

FOUNDATION INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 28 March 2009**

12. TANGIBLE FIXED ASSETS

	Land and buildings £	Furniture, fittings and equipment £	Total £
COST OR VALUATION			
At 30 March 2008	5,899,754	628,948	6,528,702
Additions	81,819	251,373	333,192
Disposals	(133,767)	-	(133,767)
Revaluation surplus/(deficit)	284,873	-	284,873
	<hr/>	<hr/>	<hr/>
At 28 March 2009	6,132,679	880,321	7,013,000
DEPRECIATION			
At 30 March 2008	18,996	6,786	25,782
Charge for the 52 weeks	107,367	131,606	238,973
Impairment charge	732,659	-	732,659
	<hr/>	<hr/>	<hr/>
At 28 March 2009	859,022	138,392	997,414
NET BOOK VALUE			
At 28 March 2009	5,273,657	741,929	6,015,586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 29 March 2008	5,880,758	622,162	6,502,920
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 28 March 2009, included within the net book value of land and buildings is £5,201,148 (2008 - £5,880,758) relating to freehold land and buildings, £NIL (2008 - £NIL) relating to long term leasehold land and buildings and £72,509 (2008 - £NIL) relating to short term leasehold land and buildings.

Cost or valuation at 28 March 2009 is as follows:

	Land and buildings £
AT COST	5,322,679
AT VALUATION:	
2009 open market value basis	810,000
	<hr/> <hr/>
	6,132,679

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

FOUNDATION INNS PLC

NOTES TO THE FINANCIAL STATEMENTS for the 52 weeks ended 28 March 2009

12. TANGIBLE FIXED ASSETS (continued)

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

	28 March 2009	29 March 2008
	£	£
Cost	5,322,679	-
Accumulated depreciation	316,730	-
Net book value	<u>5,639,409</u>	<u>-</u>

13. STOCKS

	28 March 2009	29 March 2008
	£	£
Finished goods and goods for resale	<u>43,105</u>	<u>41,549</u>

14. DEBTORS

	28 March 2009	29 March 2008
	£	£
Trade debtors	688	-
Other debtors	45,074	205,362
Prepayments and accrued income	158,935	56,927
	<u>204,697</u>	<u>262,289</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 March 2009	29 March 2008
	£	£
Trade creditors	232,643	258,802
Amount due for fixed assets	-	680,000
Social security and other taxes	49,264	16,588
Other creditors	21,336	17,491
Accruals and deferred income	280,028	254,673
	<u>583,271</u>	<u>1,227,554</u>

FOUNDATION INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 28 March 2009**

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

	28 March 2009 £	29 March 2008 £
Bank loans	2,430,566	1,384,187

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 2.7% plus a lending margin of 1%.

17. SHARE CAPITAL

	28 March 2009 £	29 March 2008 £
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
	5,000,600	5,000,600
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
	2,912,223	2,912,223

18. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 30 March 2008	2,414,742		(255,665)
Loss for the 52 weeks			(1,753,709)
Surplus on revaluation of freehold property		284,873	
At 29 March 2008	2,414,742	284,873	(2,009,374)

FOUNDATION INNS PLC

**NOTES TO THE FINANCIAL STATEMENTS
for the 52 weeks ended 28 March 2009**

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	28 March 2009 £	29 March 2008 £
Opening shareholders' funds	5,071,300	-
Loss for the 52 weeks/period	(1,753,709)	(255,665)
Shares issued during the 52 weeks/period	-	2,912,223
Share premium on shares issued (net of expenses)	-	2,414,742
Other recognised gains and losses during the 52 weeks/period	284,873	-
	<hr/> 3,602,464 <hr/>	<hr/> 5,071,300 <hr/>
Closing shareholders' funds		

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
Operating loss	(1,665,315)	(407,085)
Amortisation of intangible fixed assets	44,062	1,667
Depreciation of tangible fixed assets	238,973	25,782
Impairments of fixed assets	1,259,431	-
Increase in stocks	(1,556)	(41,549)
Decrease/(increase) in debtors	57,596	(262,289)
(Decrease)/increase in creditors	(644,287)	1,227,554
	<hr/> (711,096) <hr/>	<hr/> 544,080 <hr/>
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS		

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

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	7,120	152,107
Interest paid	(107,942)	(687)
	<hr/> (100,822) <hr/>	<hr/> 151,420 <hr/>
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		

FOUNDATION INNS PLC

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

	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of intangible fixed assets	-	(843,605)
Purchase of tangible fixed assets	(333,192)	(6,528,702)
Sale of tangible fixed assets	146,195	-
	<u>(186,997)</u>	<u>(7,372,307)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		
	<u>(186,997)</u>	<u>(7,372,307)</u>
	52 weeks ended 28 March 2009 £	Period ended 29 March 2008 £
FINANCING		
Issue of ordinary shares	-	5,326,965
New secured loans	1,190,000	1,384,187
Repayment of loans	(143,621)	-
	<u>1,046,379</u>	<u>6,711,152</u>
NET CASH INFLOW FROM FINANCING		
	<u>1,046,379</u>	<u>6,711,152</u>

22. ANALYSIS OF CHANGES IN NET DEBT

	30 March 2008 £	Cash flow £	Other non-cash changes £	28 March 2009 £
Cash at bank and in hand:	34,345	47,464	-	81,809
DEBT:				
Debts falling due after more than one year	(1,384,187)	(1,046,379)	-	(2,430,566)
NET DEBT	<u>(1,349,842)</u>	<u>(998,915)</u>	<u>-</u>	<u>(2,348,757)</u>

23. RELATED PARTY TRANSACTIONS

During the period the company paid Cairneagle Associates LLP, a business in which R Barclay is a partner, amounts of £nil (2008: £41,871) in respect of fundraising fees and £22,583 (2008: £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.

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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.