

COMPANY REGISTRATION NUMBER 5000292

CONVIVIAL LONDON PUBS PLC
FINANCIAL STATEMENTS
26 SEPTEMBER 2009

CONVIVIAL LONDON PUBS PLC
FINANCIAL STATEMENTS
YEAR ENDED 26 SEPTEMBER 2009

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CONVIVIAL LONDON PUBS PLC
OFFICERS AND PROFESSIONAL ADVISERS

Board of directors	D Maxwell Scott P Adams FCA D Bruce K Gumbrell
Company secretary	P Adams FCA
Registered office	Ampney House Falcon Close Quedgeley Gloucestershire GL2 4LS
Auditor	Nexia Smith & Williamson LLP Chartered Accountants & Statutory Auditor Portwall Place Portwall Lane Bristol BS1 6NA
Bankers	Allied Irish Bank (GB) 201/203 Broadway London SW19 1FF

CONVIVIAL LONDON PUBS PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 26 SEPTEMBER 2009

I have pleasure in presenting to our shareholders the report and accounts for the year ended 26th September 2009.

Trading Progress

On 1 September 2008 the company entered into an agreement for the management of the Company's business with Kris Gumbrell through his company, Eclipse Business & Management Services Ltd (Eclipse). Thus the period under review comprises the first full year in which Eclipse has managed the Company's affairs. I am pleased to report that this initiative has proved entirely positive for the Company.

Financial Results

The key financial indicators for the year under review are:

- Total turnover increased 6.8% from £5.01m to £5.35m. Like-for-like turnover increased by 5.4%. The Company traded with an unchanged estate of eight freehold pubs. Additionally the Company leased The Stag in Ascot on a short-term contract from April until September;
- Pub EBITDA grew by 31% from £1.16m to £1.52m;
- Operating profit increased by 209% from £255k to £788k;
- Administrative expenses fell by £192k from £3.35m to £3.15m. This was driven by a reduction of £167k in the combined management charges and accountancy fees. The cost of directors' remuneration also fell by £22k;
- Cash flow before financing, grew by 129% from £261k to £598k;
- Interest charges fell by £80k; and
- PBT for the year is £435k. In the prior year the Company made a pre-tax loss of £1.49m after an impairment charge of £1.2m. There have been no further impairments this year.

The combination of increased turnover together with constant margins, controlled wages and reduced administrative costs has transformed the Company's trading performance from one of loss to profitability.

The net book value of the Company's estate at 26 September 2009 was £18.5m.

The Company has long-term borrowing facilities with The Allied Irish Bank (GB) of £6.68m. Long-term loan repayments of £359k were made during the year. Gearing is currently at 59% and the current loan represents 36% of the value of the Company's fixed assets.

Management

As indicated in the opening paragraph the Company entered into an agreement with Kris Gumbrell and his company (Eclipse) in September 2008. At the time the Company was still not trading profitably. Shareholder value had been eroded. Consequently its financial position was not healthy. One year on, the Company is in much better shape and is at last trading profitably.

The independent directors are firmly of the opinion that the marked improvement in the Company's trading performance is largely due to the quality of management from Eclipse.

The initial Management Contract with Eclipse was short-term and could be terminated on 6 month's notice after the first year. It did not offer the Manager (Eclipse) any effective motivation to build shareholder value over a longer term and this was not satisfactory. The Company is now entering into a three-year agreement with Eclipse. The Board, through its independent directors, believes that the contract strikes a positive balance. It offers worthwhile incentives to Eclipse but at a cost which is competitive for the Company. The rewards that Eclipse can receive are directly geared to growth in shareholder value.

CONVIVIAL LONDON PUBS PLC

CHAIRMAN'S STATEMENT *(continued)*

YEAR ENDED 26 SEPTEMBER 2009

Industry Issues

The current recession has had a severe effect on our industry. Fortunately London and the South East have not been so badly affected as other parts of the country. Despite that the year under review has not been easy. Our feeling is that the current trading year may be even more challenging. VAT is set to increase in January, a General Election is due in the spring and the UK is carrying an unprecedented level of debt. There is therefore a risk that duty on beer and other alcoholic beverages will yet again increase and the Company faces all of this at a time of low consumer confidence. It does not augur a helpful trading environment.

The purchasing arrangement that we share with The Capital Pub Company PLC is however still in place. This will enable us to continue to buy at a very competitive rate from our principal suppliers.

Future prospects

Growth in the year under review has been achieved by growing turnover, holding margins and reducing costs. Within the estate we have five core pubs (The Barley Mow, The Clifton, The Mitre, The Pakenham Arms and The Tea Clipper). These five have continued to perform well and grow their business. Our estate also comprises the three "development" pubs (The Botanist, The Crown & Anchor and The Hansom Cab). These three received much focus in the past year and responded to that focus. This trend continues.

In the current year the Company will stick to the strategy of controlling margins and costs and growing turnover, particularly in the three "development" pubs

At the same time the Company will continue to examine options to grow the business in a manner that can bring greater liquidity and enhance shareholder value without taking on further debt. Last year the short-term leasing of The Stag in Ascot accomplished this in a small way.

Dividend

The Company is maintaining its policy of not paying a dividend. In the current economic climate it is preferable to retain cash to pay down debt or to invest in low risk and low cost opportunities.

Exit

Having turned the corner from loss to profit the Company is committed to build further from that base. Given this profile, and given the volatility of current valuations, it would not be easy for the Company to realise its full value at the present time. Because of this the Company will not be seeking an exit until the market improves and further growth in profitability has been achieved.

Summary

The year under review has been challenging but the Company has made good progress. For this I am indebted to not only the leadership of Kris Gumbrell and his team at Eclipse but also to our dedicated managers and staff who have worked so hard in turning the Company around. The Company has now begun to rebuild shareholder value. It is better positioned than a year ago but there is still much to do.

May I encourage shareholders to keep in touch with the ongoing developments of the Company by visiting the website www.conviviallondonpubs.com.

D Maxwell Scott
Chairman

Date: 16 December 2009

CONVIVIAL LONDON PUBS PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT

YEAR ENDED 26 SEPTEMBER 2009

Trading Review

I am pleased to report that, despite operating in what is one of the most difficult and challenging periods for the pub industry, significant progress has been made since Eclipse took over the management of Convivial London Pubs. The year has been both challenging and exciting for the team. We have ended it in stronger financial health and have produced very creditable results. The improved performance has been achieved by:

1. Improving operational disciplines, systems and processes.
2. Focussing on quality, value and great service for our customers.
3. Making sure we have the right people in our pubs. We have introduced a number of measures to ensure that our staff are motivated to deliver their targets. These include incentives for retail staff and kitchen teams (such as sales and margin based bonuses) and supplier funded marketing plans.
4. Delivering a high level of support and business focus via regular formal reviews, backed up by a dedicated marketing plan for each pub.
5. Improving our people by having a personal development plan for each full time employee. This is supported by a company training and development plan and a new performance based appraisal process.
6. Making every penny count. We have established firm controls over individual house spending, capital expenditure and a complete review of suppliers to improve terms and, where necessary, rationalise without reducing choice.

The team has been able to generate significant like-for-like sales and EBITDA growth. A key priority has been to rebuild shareholder value and as such we have been very focussed on improving the return on capital employed. The pub EBITDA as a percentage of the pub book values has improved from 6.3% last year to 8.25%.

We believe there are opportunities for further improvement. These include:

1. Cost reduction - continued attention to the reduction of operating costs. Our Viewbase Management Information System coupled with our new outsourced accounting structure delivers rapid availability of data and period profit & loss accounting. The outsourcing of HR and accountancy has also allowed the management team to concentrate on delivering operational support, in the knowledge that the business has first class specialist support when required.
2. Fixing the three poor performing pubs - the performance of our weaker businesses has greatly improved and as such cost coverage has improved considerably in those sites thereby further enhancing the overall profitability of the Company. These improvements are set to continue and thereby drive forward our overall returns.
3. Marketing - Eclipse has introduced a marketing manager into the business. His role is to execute marketing plans by working closely with our suppliers, the pub managers and our website provider to deliver better quality through relevant and tailored marketing materials. By having a planned approach and by sharing best practice we are now well placed to take advantage of major events such as the recent Hays v Valuev fight and the forthcoming 2010 World Cup.
4. New business - we now have the resources, stability and track record to look to grow our income streams. A number of options are therefore under consideration. With this in mind we are, for instance, now well placed to acquire leases at an affordable cost if market values become increasingly attractive for buyers.

CONVIVIAL LONDON PUBS PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

YEAR ENDED 26 SEPTEMBER 2009

Within our sector this year, there have been a number of pub transactions that have brought the subject of valuation into sharp focus. Despite our good performance our historic results coupled with the prospect of a considerable number of further disposals from some of the major pub companies strongly suggest that we need to concentrate on building value and cash flow rather than seek an early exit in a very volatile market.

The Board understands, however, that a number of shareholders are interested in realising their investments in Convivial London Pubs. We have therefore opened a matched-bargain service with JP Jenkins (please see the investor page on our website for details).

The management team have worked hard to foster a sense of team spirit and enjoyment. We meet every month to discuss new initiatives and exchange ideas. These meetings are often interspersed with social activities for the managers. In February, with the support and sponsorship of our suppliers, we held a "Convivial Best of the Best Awards" evening. Awards included the recognition of success in such areas as cask ale, food, and customer service as well as an overall title for the Pub of the Year. We have recently launched a "Bike to Work" scheme to help staff to buy a bicycle through a government assisted programme. We are also about to launch a new pension scheme with Scottish Equitable for our managers. In the current climate we are continually seeking to introduce initiatives that motivate our team to remain loyal and enthusiastic to Convivial.

Corporate and Social Responsibility

Convivial London Pubs believes it has an important role to play as a responsible employer. Our customers expect us to behave and act as a considerate organisation. As such this year we have launched a number of important initiatives:

1. The "Save Your Energy" management programme has made a significant difference to utility consumption. As well as developing a good deal of team awareness through the tracking of usage we have also successfully trialed "Efergy" consumer units which tell us not only our cash spend but also our carbon consumption. In addition we are trialing a new form of dimmable low energy lighting that appears to be delivering significant savings in the trial houses.
2. Provenance and Fairtrade are of increasing importance to our customers. By reducing the number of food suppliers we are able to take greater control of the supply chain from producer to plate. We have also changed our coffee suppliers to ensure a better quality product that is guaranteed as being not only Fairtrade but also 100% organic. More information will be available on our website shortly.
3. As well as a considerable amount of charity support within the pubs' immediate communities, Convivial London Pubs is this year supporting Action Against Hunger – a charity that seeks to support malnourished children around the world. As well as pub events and collections we have entered a team of 8 (including myself) for the 2010 London Marathon. If you wish to make a donation please visit our website.

The Company is now much better positioned to weather the current economic pressures. Whilst there are a number of challenges to current and future trading we are well placed to cope with these so that we can continue to build profitability.

K Gumbrell
Chief Executive Officer
Date 16 December 2009

CONVIVIAL LONDON PUBS PLC

DIRECTORS' REPORT

YEAR ENDED 26 SEPTEMBER 2009

The directors present their report and the financial statements of the Company for the year ended 26 September 2009.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the management of public houses.

The review of trading and future developments is detailed in the Chairman's Statement and the Chief Executive Officer's Statement, which forms part of the Directors' Report.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £365,812. The directors have not recommended a dividend.

FINANCIAL INSTRUMENTS

The Company uses various financial instruments, including loans, cash and items such as trade creditors, all of which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The existence of these financial instruments exposes the Company to a number of financial risks, principally interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks. These policies have remained unchanged from previous years.

Interest rate risk

The Company finances its operations through a combination of bank funding and shareholders' funds. The interest rate risk is variable with base rate, although an interest rate swap has been undertaken to mitigate exposure to this on core long term borrowings. Further details are set out in note 15 of the financial statements. The directors are of the view that the risk of material interest rate increases is limited on remaining borrowings.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The cash position is reviewed weekly and cash flows are monitored monthly.

Business risk management objectives and policies

The key business risks which the Company faces are addressed in the Chairman's Statement.

Key performance indicators

The directors review Key Performance Indicators (KPIs) relevant to the Company. The following are discussed in more detail in the Chairman's Statement:

- Turnover
- Gross profit
- Gearing ratio
- Loan to value of assets ratio

CONVIVIAL LONDON PUBS PLC

DIRECTORS' REPORT *(continued)*

YEAR ENDED 26 SEPTEMBER 2009

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the Company during the year together with their beneficial interests in the shares of the Company were as follows:

		At 26 September 2009	At 28 September 2008
D Maxwell Scott	Ordinary shares	35,182	35,182
	Share options	171,118	171,118
P Adams FCA	Share options	171,118	171,118
D Bruce	Ordinary shares	50,000	50,000
	Share options	171,118	-
K Gumbrell	Share options	<u>100,000</u>	<u>-</u>

S McKenzie resigned as a director on 31 January 2009.

POLICY ON THE PAYMENT OF CREDITORS

The Company follows standard payment practices for all of its suppliers, agreed with them on an individual basis of which all suppliers are aware, and by which the Company abides in all cases. Trade creditor days at the year end was 50 days (2008 - 48 days).

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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

CONVIVIAL LONDON PUBS PLC

DIRECTORS' REPORT *(continued)*

YEAR ENDED 26 SEPTEMBER 2009

DIRECTORS' RESPONSIBILITIES *(continued)*

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

During the year Grant Thornton UK LLP resigned as auditors and Nexia Smith & Williamson Audit (Bristol) LLP, trading as Nexia Smith & Williamson LLP, were appointed in their place. Nexia Smith & Williamson LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with the Companies Act 2006.

Signed on behalf of the directors

P Adams FCA
Director

Approved by the directors on 16 December 2009

CONVIVIAL LONDON PUBS PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONVIVIAL LONDON PUBS PLC

YEAR ENDED 26 SEPTEMBER 2009

We have audited the financial statements of Convivial London Pubs PLC for the year ended 26 September 2009 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes. 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 shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

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 26 September 2009 and of its profit 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 MATTERS 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.

CONVIVIAL LONDON PUBS PLC

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CONVIVIAL LONDON PUBS PLC *(continued)***

YEAR ENDED 26 SEPTEMBER 2009

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

STEVEN COOMBE (Senior Statutory Auditor)

For and on behalf of

NEXIA SMITH & WILLIAMSON LLP

Chartered Accountants

& Statutory Auditor

Bristol

16 December 2009

CONVIVIAL LONDON PUBS PLC
PROFIT AND LOSS ACCOUNT
YEAR ENDED 26 SEPTEMBER 2009

		2009	2008 (as restated)
	Note	£	£
TURNOVER	2	5,354,091	5,010,676
Cost of sales		(1,514,214)	(1,425,204)
GROSS PROFIT		<u>3,839,877</u>	<u>3,585,472</u>
Administrative expenses		(3,154,918)	(3,346,343)
Other operating income		103,134	15,950
OPERATING PROFIT	3	<u>788,093</u>	<u>255,079</u>
Profit/(loss) on disposal of fixed assets	6	50,504	(70,808)
Impairment of freehold and long leasehold properties	7	—	(1,192,637)
		<u>838,597</u>	<u>(1,008,366)</u>
Interest receivable and similar income		10,872	15,419
Interest payable and similar charges	8	(414,744)	(494,774)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>434,725</u>	<u>(1,487,721)</u>
Tax on profit/(loss) on ordinary activities	9	(68,913)	—
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>365,812</u></u>	<u><u>(1,487,721)</u></u>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 15 to 24 form part of these financial statements.

CONVIVIAL LONDON PUBS PLC**BALANCE SHEET****26 SEPTEMBER 2009**

		2009		2008 (as restated)	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	10		18,465,772		18,451,957
CURRENT ASSETS					
Stocks	11	70,203		70,496	
Debtors due within one year	12	258,658		279,602	
Cash at bank		317,641		78,087	
		<u>646,502</u>		<u>428,185</u>	
CREDITORS: Amounts falling due within one year	13	<u>(1,279,319)</u>		<u>(1,453,523)</u>	
NET CURRENT LIABILITIES			<u>(632,817)</u>		<u>(1,025,338)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			17,832,955		17,426,619
CREDITORS: Amounts falling due after more than one year	14		(6,402,751)		(6,416,333)
PROVISIONS FOR LIABILITIES					
Deferred taxation	16		(52,113)		–
			<u>11,378,091</u>		<u>11,010,286</u>
CAPITAL AND RESERVES					
Called-up equity share capital	19		7,957,003		7,957,003
Share premium account	20		7,021,258		7,021,258
Share options reserve	21		149,731		147,738
Profit and loss account	22		<u>(3,749,901)</u>		<u>(4,115,713)</u>
EQUITY SHAREHOLDERS' FUNDS	23		<u>11,378,091</u>		<u>11,010,286</u>

These financial statements were approved by the directors and authorised for issue on 16 December 2009, and are signed on their behalf by:

P Adams FCA
Director

K Gumbrell
Director

Company Registration Number: 5000292

The notes on pages 15 to 24 form part of these financial statements.

CONVIVIAL LONDON PUBS PLC**CASH FLOW STATEMENT****YEAR ENDED 26 SEPTEMBER 2009**

	2009		2008	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,179,530		562,214
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	10,872		15,419	
Interest paid	<u>(414,744)</u>		<u>(494,774)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(403,872)		(479,355)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(117,317)		(451,230)	
Receipts from sale of fixed assets	<u>—</u>		<u>629,192</u>	
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE		(177,317)		177,962
CASH INFLOW BEFORE FINANCING		<u>598,341</u>		<u>260,821</u>
FINANCING				
Repayment of bank loans	<u>(358,787)</u>		<u>(827,723)</u>	
NET CASH OUTFLOW FROM FINANCING		(358,787)		(827,723)
INCREASE/(DECREASE) IN CASH		<u>239,554</u>		<u>(566,902)</u>

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009	2008
	£	(as restated) £
Operating profit	788,093	255,079
Depreciation and impairment	214,006	186,520
Decrease in stocks	293	5,667
Decrease/(increase) in debtors	20,944	(26,894)
Increase in creditors	154,201	97,407
Equity-settled share-based payments	1,993	44,435
Net cash inflow/(outflow) from operating activities	<u>1,179,530</u>	<u>562,214</u>

The notes on pages 15 to 24 form part of these financial statements.

CONVIVIAL LONDON PUBS PLC**CASH FLOW STATEMENT** *(continued)***YEAR ENDED 26 SEPTEMBER 2009****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2009		2008	
	£	£	£	£
Increase/(decrease) in cash in the period	239,554		(566,902)	
Net cash outflow from bank loans	<u>358,787</u>		<u>827,723</u>	
		598,341		260,821
Change in net debt		598,341		260,821
Net debt at 28 September 2008		(6,961,180)		(7,222,001)
Net debt at 26 September 2009		<u>(6,362,839)</u>		<u>(6,961,180)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 28 Sep 2008 £	Cash flows £	At 26 Sep 2009 £
Net cash:			
Cash in hand and at bank	<u>78,087</u>	<u>239,554</u>	<u>317,641</u>
Debt:			
Debt due within 1 year	(622,934)	345,205	(277,729)
Debt due after 1 year	<u>(6,416,333)</u>	<u>13,582</u>	<u>(6,402,751)</u>
	<u>(7,039,267)</u>	<u>358,787</u>	<u>(6,680,480)</u>
Net debt	<u>(6,961,180)</u>	<u>598,341</u>	<u>(6,362,839)</u>

The notes on pages 15 to 24 form part of these financial statements.

CONVIVIAL LONDON PUBS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 26 SEPTEMBER 2009

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, on a going concern basis and in accordance with applicable United Kingdom accounting standards. The directors have reviewed the accounting policies adopted by the Company and consider them to be the most appropriate. The following principal accounting policies have been applied on a basis consistent with the prior year:

Turnover

Turnover represents sales to customers in the public houses less value added tax. Turnover from sales to customers is recognised at the point at which goods are provided.

Tangible assets and depreciation

Tangible fixed assets are stated at the lower of cost or net realisable value, net of depreciation and impairment charges.

Freehold buildings and long life leaseholds of over 990 years are not depreciated as the directors consider that the estimated useful life exceeds 50 years, and they are maintained by a programme of repairs and refurbishment. The directors consider that this treatment shows a true and fair view of the Company's affairs. The assets are reviewed for impairment by the directors on an annual basis.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings - 12.5% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on first in, first out basis.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised where it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or subsequently enacted by the balance sheet date.

CONVIVIAL LONDON PUBS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 26 SEPTEMBER 2009

1. ACCOUNTING POLICIES *(continued)*

Share-based payments

All share-based payment arrangements are granted after 7 November 2002 and are recognised in the profit and loss account in accordance with Financial Reporting Standards 20 'Share Based Payments'.

All services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the share options reserve.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Financial instruments

Financial instruments are treated as debt or equity according to their underlying nature, as requested by Financial Reporting Standard 25 'Financial instruments: Presentation and disclosure'.

Instruments containing contractual obligations to transfer cash or other financial assets are classified as financial liabilities. Instruments evidencing a residual interest in the Company's assets, after deducting all of its liabilities, are classified as equity and are included within shareholders funds.

Net interest arising on interest rate arrangement is taken to the profit and loss account.

Dividend distributions payable to equity shareholders are included in current liabilities when the dividends are approved in general meetings prior to the balance sheet date.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short-term deposits.

CONVIVIAL LONDON PUBS PLC
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2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the Company.
An analysis of turnover is given below:

	2009 £	2008 £
United Kingdom	<u>5,354,091</u>	<u>5,010,676</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2009 £	2008 £
Depreciation of owned fixed assets	214,006	186,520
Impairment of owned fixed assets	–	1,192,637
Auditor's remuneration - audit of the financial statements	10,250	22,500
Auditor's remuneration - other fees	<u>2,250</u>	<u>3,500</u>

	2009 £	2008 £
Auditor's remuneration - audit of the financial statements	<u>10,250</u>	<u>22,500</u>

Auditor's remuneration - other fees:

	2009	2008
- Taxation services	<u>2,250</u>	<u>3,500</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Company during the financial year amounted to:

	2009 No	2008 No
Number of production staff	<u>95</u>	<u>91</u>

The aggregate payroll costs of the above were:

	2009 £	2008 (as restated) £
Wages and salaries	1,497,949	1,556,418
Social security costs	104,208	122,459
Equity-settled share-based payments	1,993	44,435
	<u>1,604,150</u>	<u>1,723,312</u>

CONVIVIAL LONDON PUBS PLC
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5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration and other payments in respect of qualifying services were:

	2009	2008
	£	£
Aggregate remuneration	62,254	88,500
Compensation for loss of directorship	4,500	—
	<u>66,754</u>	<u>88,500</u>

6. PROFIT/LOSS ON DISPOSAL OF FIXED ASSETS

	2009	2008
	£	£
Profit/(loss) on disposal of fixed assets	<u>50,504</u>	<u>(70,808)</u>

The profit on disposal in the year relates to an adjustment to the loss disclosed in the prior year.

7. IMPAIRMENT OF FREEHOLD AND LONG LEASEHOLD PROPERTIES

During the prior year an impairment charge totalling £1,192,637 was recognised through the profit and loss account in respect of the freehold and long leasehold properties of the Company. Having reviewed the carrying values of the properties at the current year end, the directors are satisfied that no further impairment in value is required and accordingly no charge has been recognised.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£	£
Interest payable on bank borrowing	405,806	494,774
Other similar charges payable	8,938	—
	<u>414,744</u>	<u>494,774</u>

CONVIVIAL LONDON PUBS PLC
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9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2009		2008	
	£	£	£	£
Current tax:				
UK Corporation tax based on the results for the year at 21% (2008 - 29%)		16,800		—
Total current tax		<u>16,800</u>		<u>—</u>
Deferred tax:				
Origination and reversal of timing differences (note 16)				
Capital allowances	129,055		—	
Losses	<u>(76,942)</u>		<u>—</u>	
Total deferred tax (note 16)		<u>52,113</u>		<u>—</u>
Tax on profit/(loss) on ordinary activities		<u>68,913</u>		<u>—</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21% (2008 - 29%).

	2009	2008
	£	£
Profit/(loss) on ordinary activities before taxation	<u>434,725</u>	<u>(1,487,721)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of tax	91,292	(423,288)
Expenses not deductible for tax purposes	—	6,825
Impairment of fixed assets	—	345,864
Capital allowances in excess of depreciation	(5,326)	56,206
Tax losses (utilised)/carried forward	(63,106)	33,883
Other timing differences	—	(19,490)
Income not taxable	<u>(6,060)</u>	<u>—</u>
Total current tax (note 9(a))	<u>16,800</u>	<u>—</u>

CONVIVIAL LONDON PUBS PLC
NOTES TO THE FINANCIAL STATEMENTS
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10. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures & fittings £	Total £
COST			
At 28 September 2008	19,401,843	2,128,847	21,530,690
Additions	126,947	100,874	227,821
Transfers	230,314	(230,314)	–
At 26 September 2009	<u>19,759,104</u>	<u>1,999,407</u>	<u>21,758,511</u>
DEPRECIATION			
At 28 September 2008	2,365,970	712,763	3,078,733
Charge for the year	–	214,006	214,006
At 26 September 2009	<u>2,365,970</u>	<u>926,769</u>	<u>3,292,739</u>
NET BOOK VALUE			
At 26 September 2009	<u>17,393,134</u>	<u>1,072,638</u>	<u>18,465,772</u>
At 27 September 2008	<u>17,035,873</u>	<u>1,416,084</u>	<u>18,451,957</u>

11. STOCKS

	2009 £	2008 £
Finished goods	<u>70,203</u>	<u>70,496</u>

12. DEBTORS

	2009 £	2008 £
Amounts owed by related undertakings	–	31,300
Other debtors	58,708	112,699
Prepayments and accrued income	199,950	135,603
	<u>258,658</u>	<u>279,602</u>

13. CREDITORS: Amounts falling due within one year

	2009 £	2008 £
Bank loans	277,729	622,934
Trade creditors	349,035	330,655
Corporation tax	16,800	–
Taxation and social security	240,365	195,113
Other creditors	47,699	39,538
Accruals and deferred income	347,691	265,283
	<u>1,279,319</u>	<u>1,453,523</u>

CONVIVIAL LONDON PUBS PLC**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 26 SEPTEMBER 2009**

14. CREDITORS: Amounts falling due after more than one year

	2009	2008
	£	£
Bank loans	<u>6,402,751</u>	<u>6,416,333</u>

15. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2009	2008
	£	£
Amounts repayable:		
In one year or less or on demand	277,729	622,934
In more than one year but not more than two years	298,272	222,581
In more than two years but not more than five years	978,323	771,487
In more than five years	<u>5,126,155</u>	<u>5,422,265</u>
	<u>6,680,479</u>	<u>7,039,267</u>

The above loan is repayable in instalments between October 2008 and June 2025. Interest is payable at 1.75% above LIBOR. A small proportion of the loan has interest payable at 2.25% above LIBOR. The loan is secured by legal mortgages over certain of the Company's property assets and by a floating debenture over all assets of the Company.

The Company has an interest rate swap agreement in place covering £5,000,000 of its long term borrowings, in place until 30 June 2011. The fair value of this derivative is deemed to be a liability of £64,594 at 30 September 2009.

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2009	2008
	£	£
Profit and loss account movement arising during the year	<u>52,113</u>	—
Provision carried forward	<u>52,113</u>	—

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2009		2008	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	129,055	—	—	178,485
Tax losses available	<u>(76,942)</u>	—	—	<u>(178,485)</u>
	<u>52,113</u>	—	—	—

At 26 September 2009 the Company had tax losses carried forward of £366,000 (2008 - £666,000) in respect of trading losses and £729,000 (2008 - £729,000) in respect of capital losses.

CONVIVIAL LONDON PUBS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 26 SEPTEMBER 2009

17. SHARE-BASED PAYMENTS

Equity-settled share-based payments

The Company has a share option scheme for its employees, including directors. Options are exercisable at a price in excess of the estimated market price of the company's shares on the date of grant. The vesting period is usually 3 years. The options are settled in equity once exercised.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2009		2008 (as restated)	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	827,516	109.32	563,354	114.64
Granted during the year	—	—	351,118	102.18
Lapsed during the year	(84,162)	115.00	(86,956)	115.00
Outstanding at the end of the year	<u>743,354</u>	<u>108.68</u>	<u>827,516</u>	<u>109.32</u>
Exercisable at the end of the year	<u>392,236</u>	<u>114.49</u>	<u>106,965</u>	<u>113.13</u>

The share options outstanding at the end of the year have a weighted average remaining contractual life of 7.6 years (2008 - 8.6 years) and have the following exercise prices:

Expiry date	Exercise price £	2009	2008 (as restated)
		No	No
23 September 2015	105.00	20,000	20,000
9 February 2016	115.00	20,000	20,000
21 September 2016	115.00	10,000	10,000
23 September 2015	115.00	86,956	86,956
3 July 2016	115.00	255,280	339,442
1 September 2018	90.00	180,000	180,000
1 September 2018	115.00	171,118	171,118
		<u>743,354</u>	<u>827,516</u>

No options were granted or exercised in the year.

The fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

	2009	2008 (as restated)
Weighted average exercise price - £	1.09	1.09
Expected volatility - %	25.00	25.00
Expected life - years	7.00	7.00
Risk free rate - %	<u>4.00</u>	<u>4.00</u>

CONVIVIAL LONDON PUBS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 26 SEPTEMBER 2009

17. SHARE-BASED PAYMENTS *(continued)*

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The Company recognised total expenses of £1,993 (2008 - £44,435 as restated) related to equity-settled share-based payment transactions during the year.

18. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

£12,900 (2008 - £18,000) was paid to Brew Securities Limited, a company of which D Bruce is a director and shareholder, for D Bruce's services as a director. At the year end £3,900 (2008 - £Nil) was owed to Brew Securities Limited which is included in accruals.

£15,500 (2008 - £18,000) was paid to Pragmaticus Limited, a company of which P Adams is a director and shareholder, for P Adams' services as a director. At the year end £1,300 (2008 - £Nil) was owed to Pragmaticus Limited which is included in accruals.

£Nil (2008 - £520,806) was invoiced in the year by Capital Pub Company Plc, a company of which D Bruce is a director, for management fees. At the year end, £Nil (2008 - £68,700) was owed to the Capital Pub Company Plc.

£250,897 (2008 - £nil) was invoiced in the year by Eclipse Business & Management Services Limited, a company of which K Gumbrell is a director, for management fees. At the year end, £77,647 (2008 - £14,538) was owed to Eclipse Business & Management Services Limited.

19. SHARE CAPITAL

Authorised share capital:

	2009	2008
	£	£
19,193,548 Ordinary shares of £0.50 each	<u>9,596,774</u>	<u>9,596,774</u>

Allotted, called up and fully paid:

	2009		2008	
	No	£	No	£
Ordinary shares of £0.50 each	<u>15,914,005</u>	<u>7,957,003</u>	<u>15,914,005</u>	<u>7,957,003</u>

There were no new shares issued or allotted in the period.

20. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year.

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21. SHARE OPTIONS RESERVE

	2009 £	2008 £
Balance brought forward as previously reported	147,738	28,560
Prior year adjustment – note 24	–	74,743
	<u>147,738</u>	<u>103,303</u>
Balance brought forward restated	147,738	103,303
Recognition of equity-settled share-based payments in the year	1,993	44,435
Balance carried forward	<u>149,731</u>	<u>147,738</u>

22. PROFIT AND LOSS ACCOUNT

	2009 £	2008 £
Balance brought forward as previously reported	(4,115,713)	(2,553,249)
Prior year adjustment – note 24	–	(74,743)
	<u>(4,115,713)</u>	<u>(2,627,992)</u>
Balance brought forward restated	(4,115,713)	(2,627,992)
Profit/(loss) for the financial year	365,812	(1,487,721)
Balance carried forward	<u>(3,749,901)</u>	<u>(4,115,713)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Profit/(Loss) for the financial year	365,812	(1,487,721)
Recognition of equity-settled share-based payments in the year	1,993	44,435
	<u>367,805</u>	<u>(1,443,286)</u>
Net addition/(reduction) to shareholders' funds	367,805	(1,443,286)
Opening shareholders' funds	11,010,286	12,453,572
Closing shareholders' funds	<u>11,378,091</u>	<u>11,010,286</u>

24. PRIOR YEAR ADJUSTMENT

A prior year adjustment has been recognised in respect of the share option scheme. The adjustment has resulted in a transfer of £74,743 between the profit and loss reserve and the share option reserve as at 28 September 2007, and has increased the share option charge recognised in the profit and loss account (and therefore increased the loss) for the year ended 27 September 2008 by £28,104. Accordingly, the profit and loss reserve has been decreased and the share option reserve increased by a total of £102,847 at 27 September 2008. This has had no impact on shareholders' funds.