

THE CAPITAL PUB COMPANY PLC

Report and Financial Statements

Year ended 27 March 2010

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Company no. 4119367

THE CAPITAL PUB COMPANY PLC

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THE CAPITAL PUB COMPANY PLC

Directors, Secretary and advisers

Directors

J Bruxner CBE	(Chairman)
C Watson ACA	(Chief Executive)
N Collins ACA	(Finance Director)
D Bruce	(Non-executive)
R Prickett FCA	(Non-executive)

Secretary and registered office

J Dudgeon
28 South Molton Street
London
W1K 5RF

Company number

4119367

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Valuers

AG&G Chartered Surveyors
8 Exchange Court
London WC2R 0JH

Stockbroker & Nominated Adviser

Altium Securities
30 St James's Square
London SW1Y 4AL

Bankers

Allied Irish Bank (GB)
201-203 The Broadway
Wimbledon SW19 1FF

Solicitors

Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

HBJ Gateley Wareing
Exchange Tower
19 Canning Street
Edinburgh EH3 8EH

THE CAPITAL PUB COMPANY PLC

Directors, Secretary and advisers

Financial Public Relations

College Hill Associates Ltd

The Registry

Roayl Mint Court

London EC3N 4QN

Registrars

Share Registrars Ltd

Suite E, 1st Floor

9 Lion & Lamb Yard

West Street

Farnham

Surrey GU9 7LL

THE CAPITAL PUB COMPANY PLC

Chairman's statement

I am pleased to report another year of achievement and excellent trading performance. The estate, which is London based, largely freehold and free of tie, has been grown to 28 high quality pubs, the quality of which has been a major factor in driving the continued improved performance.

All the pubs are now fully refurbished and trading well, with the exception of the newly acquired Uplands in East Dulwich, which will be renovated this summer. The Group has benefited from its focussed strategy to operate pubs solely in London which continues to thrive and display more buoyant characteristics than elsewhere in the UK. Aside from this the significant uplift in the financial performance of the Group is as a result of better retailing, improving the quality of the estate and tight cost control throughout the Group.

Financial Results

The Board is delighted with the performance of the Group over the last 12 months.

- Revenue increased 11% to £22.0m (2009: £19.8m)
- Adjusted EBITDA increased 19% to £5.8m (2009: £4.9m)
- Adjusted pre-tax profits increased 32% to £2.7m (2009: £2.1m)
- Adjusted diluted earnings per share increased 32% to 10.1p (2009: 7.7p)
- Cash generated from operating activities increased 113% to £3.7m (2009: £1.7m)
- The estate was revalued at £66.6m (2009: £69.7m), the overall impact of which reduced net assets by £1.8m

A reconciliation of "adjusted" items to (loss)/earnings after taxation is provided in note 12 of the accounts.

After due consideration, the Board is recommending that it is in the best interests of shareholders for the Group to continue to preserve internally generated cash for debt reduction and for financing future acquisitions rather than to pay a dividend at this stage.

Operations and Management

The Group continues to focus on wet-led operations which account for nearly 80% of total sales. It has been able to further improve its margins on both liquor and food as a result of better purchasing and also by being able to increase sales without resorting to discounting strategies that many of our competitors are now employing.

The Group benefits from a high quality portfolio of well established, neighbourhood pubs which serve well their local customers. One of the key differentiators from other multiple managed operators is that the Group offers its pub managers a high degree of autonomy and the opportunity to run each pub in an individual, entrepreneurial style which caters to the local market. This together with the attractive performance-related bonus packages offered to the managers has helped the business to attract and retain excellent calibre pub managers which is essential for the continued successful growth of the business and the strong trading performance of our pubs.

As a result of having a high quality estate and a strong entrepreneurial culture, the Group won The Managed Pub Company of the Year award (20-99 units) at the recent Publican Awards Ceremony. To further consolidate its success the Group is introducing a Share Incentive Plan which will be available for all employees with more than one year's service. The cost of implementing this scheme will be borne by the Directors who have waived any increases of remuneration this financial year.

THE CAPITAL PUB COMPANY PLC

Chairman's statement

The Board would like to take this opportunity to thank the staff at all the pubs for their hard work over the financial year and to acknowledge their contribution to these results

Acquisitions,

The Group acquired three pubs in the year under review

April 2009 – The Bishop in East Dulwich SE22

This is a high volume outlet which continues to trade well

November 2009 – The Victoria Inn (previously the Wishing Well) in Peckham Rye, SE15

This site is a freehold pub with 17 letting rooms and has been significantly refurbished. It re-opened at the beginning of June and early trade is very encouraging

January 2010 – The Uplands in East Dulwich, SE22

The Uplands is a leasehold pub in East Dulwich where the Company has the option to buy the freehold. This will be reopened in September after an extensive refurbishment

Developments

During the year under review the Group continued to refurbish a number of its pubs, focussing on upgrading ancillary retail areas to ensure and enhance the appeal to our customers. These small refurbishments have helped improve to performance

Disposals

After the year end the Group sold the freehold of the Marquis of Granby for £3.49m, a price equivalent to its newly appraised book value. The proceeds have further reduced net debt and the Group continues to trade the site under a lease agreement

Balance Sheet, Funding and Valuation

The Group's strategy is to expand the business and at the same time ensure that it is securely funded. Since the year end net debt has been reduced to a current position of £24m as a result of the disposal of The Marquis of Granby freehold and a £1.7m placing of equity last month

The property estate was revalued at the balance sheet date by AG&G Chartered Surveyors and the results of this valuation have been incorporated in these financial results. The estate was re-valued at £66.6m, the overall impact of which reduced net assets by £1.8m. As a result of the revaluation, the disposal of the Marquis of Granby and the recent fundraising gearing has reduced to approximately 70%

The Group enjoys favourable banking facilities which extend until December 2017. It has modest annual capital repayments up to that date, being £1.2m for the year ending March 2011. With the reduced net debt position the Group remains significantly within its banking covenants and this strong position gives the Board confidence now to seek further acquisitions

Shareholders meeting

As detailed within the circular posted to shareholders on 14 June 2010 the Group is holding a Shareholders meeting on Wednesday 30 June 2010. The purpose of the meeting is to increase the number of shares that the Group is able to issue for cash otherwise than *pro rata* to existing shareholders. Normally this authority would be sought at the Company's next Annual General Meeting in September 2010. However, there are some earnings-enhancing opportunities that the Directors are keen to pursue in the short term. Authority is sought to allot up to a maximum of 5,571,000 ordinary shares

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Chairman's statement

The meeting will be held at 9 30am at the offices of its solicitor, Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU

Shareholder Information

Shareholders who wish to keep up to date with news about the Group should visit our recently enhanced website www.capitalpubcompany.com which includes details of our portfolio of pubs, corporate information and promotional activity

Current Trading and Outlook

Since the start of the new financial year trading has been very strong and since the start of the World Cup two weeks ago the Group has enjoyed a further boost to sales. The Board believes the Group is well positioned to take advantage of a London pub market which continues to be a healthy trading environment. The Group continues to outperform its competitors and believes there is further scope to expand its operations. The management remains focused and ambitious to build on its recent successes and the aim over the next three years is to increase the size of the estate to 45 - 50 outlets.

[Whilst yesterday's budget was disappointing, it was expected and budgeted for and the Board do not believe it will impede the Group's stated strategy.]

We remain optimistic about the future prospects of the Group.

J Bruxner CBE
Chairman
23 June 2010

The Directors present their report together with the audited financial statements for the year ended 27 March 2010

PRINCIPAL ACTIVITY

The principal activity of the Group is the management and operation of public houses

BUSINESS REVIEW & FUTURE DEVELOPMENTS

The purpose of the business review is to show how the Group assesses and manages risk, and adopts appropriate policies and targets. Further details of the Group's business and future developments are also set out in the Chairman's statement on pages 3, 4 and 5

The following are some of the key risks that face the Group

Dependence on key executives and personnel

The Group's future success is substantially dependent on the continuing services and performance of the highly skilled pub managers and its ability to continue to attract and retain them. The Directors believe the Group's culture and remuneration packages are attractive, which should assist key staff retention. The Directors are indemnified against public liability claims through Directors and Officers insurance

Risks relating to growth strategy

The continuing growth of the Group is largely dependent on its ability to identify and acquire free-of-tie, managed pubs in Greater London. If the Group is unable to find suitable acquisition targets at an acceptable price, this may have an adverse effect on the Group's future success. However, the Directors believe that the size of the market and the number of pubs in this area will mean that the Group will continue to be able to grow

Licences, permits and approvals

The pub industry in the UK is highly regulated at both national and local levels and pub operators require licences, permits and approvals. Delays and failures to obtain the required licences or permits could adversely affect the operations of the Group. These laws and regulations impose a significant administrative burden on each pub and additional or more stringent requirements could be imposed in the future. Each of the Group's pubs is licensed to permit, amongst other things, the sale of liquor. Should any of the Group's pub licences be withdrawn or amended, the profitability of any such pub could be adversely impacted. The Group has processes in place to ensure all necessary licences are obtained on a timely basis, and to monitor compliance with all relevant laws and regulations

Market

It is possible that current recessionary pressures and other economic factors (such as reduced access to debt and tax increases) may decrease the disposable income that customers have available to spend on drinking and eating out. This could lead to a reduction in the revenues of the Group's pubs. However, the Directors believe that the location of the Group's pubs, which are generally in prosperous areas of London, means that the Group is well placed to cope with such recessionary pressures

KEY PERFORMANCE INDICATORS

The legislation requires the Board to disclose Key Performance Indicators (KPIs) relevant to the Group. The following are discussed in more detail in the Chairman's statement:

- Earnings per share (EPS)
- Gearing ratio

RESULTS AND DIVIDENDS

The consolidated income statement is set out on page 16 and shows the loss for the year (2009 profit)

The Directors do not recommend the payment of a dividend (2009 £nil)

SUBSTANTIAL SHAREHOLDINGS

As at 23 June 2010, the Group had been notified of, or was aware of, the following interests of 3 percent or more in its issued share capital:

<i>Name of shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i> %
Clive Watson *	1,960,889	8.80
Moorfield Investments Limited *	1,932,490	8.67
Giltspur Nominees Limited	1,464,204	6.57
Richard Keeling *	1,386,550	6.22
Pershing Nominees Limited	894,018	4.01
TD Waterhouse Nominees (Europe) Ltd	855,037	3.84
Kleinwort Benson (Jersey) Trustees Limited	700,000	3.14
BBHISL Nominees Limited	680,207	3.05

**Some of these shares are not held directly (i.e. through a nominee account)*

INTEREST IN OWN SHARES

The Group has an interest in its own shares as a result of the cost of the shares issued to the Group's Employee's Benefit Trust to satisfy awards made pursuant to the Joint Share Ownership Plan ("the JSOP"). During the year maximum number of shares held was 700,000 with a nominal value of £350,000. These shares represent 3.1% of the total issued share capital and the charge relating to the shares is shown in the Consolidated Statement of Changes in Equity.

POLITICAL AND CHARITABLE DONATIONS

The Group made no political or charitable donations during the year (2009 £nil)

EMPLOYMENT POLICY

The Group's policies respect the individual regardless of gender, age, race or religion. Where reasonable and practical under the existing legislation, all persons, including disabled persons, have been treated fairly and consistently, including matters relating to employment, training and career development.

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Report of the Directors for the year ended 27 March 2010

The Group takes a positive view of employee communication and has established systems for employee consultation and communication of developments. The Group operates employee share schemes as a means of further encouraging the involvement of employees in the Group's performance.

PAYMENT POLICY

The Group follows standard payment practices for all of its suppliers agreed with them on an individual basis of which all suppliers are aware. The ratio of amounts owed to trade creditors at the year end to total purchases invoiced by suppliers during the year was 33 days (2009 30).

DIRECTORS

The Directors of the Group during the year and their beneficial interests, including those of any persons connected to them, in the ordinary share capital of the parent company were as follows:

Ordinary shares of 50p each:	27 March 2010	28 March 2009
J Bruxner	42,750	28,350
D Bruce	170,924	170,924
N Collins	250,000	-
R Prickett	100,787	100,787
C Watson	1,960,889	1,660,889

Share options

At 27 March 2010, the Directors were also interested in unissued ordinary shares granted to them by the Group under share options held by them pursuant to individual option agreements:

	Date of grant	Exercise price (pence)	Number	Date from which exercisable	Expiry date
J Bruxner	01/02/2001	115	91,518	01/02/2004	31/01/2011
J Bruxner	29/04/2009	57.5	90,909	29/04/2012	28/04/2019
N Collins	20/04/2009	50	60,000	20/04/2012	19/04/2019
R Prickett	29/04/2009	57.5	100,000	29/04/2012	28/04/2019

No options were exercised during the year (2009 nil)

Employee Benefit Trust

In addition, the following Directors had awards ('the Awards') over the assets of the Group's Employee Benefit Trust ('the Trust') pursuant to deeds of appointment. The Trust was established on 13 February 2003. The Awards were made by Fidecs Trust Company Limited acting in its capacity as trustee of the Trust.

The Group has granted options to subscribe for Ordinary Shares to the trustee over a total of 2,992,604 shares with an exercise price of £1.15 per share, and 269,934 shares with an exercise price of £1.50 per share.

	No. of Ordinary Shares
D Bruce	1,731,269
C Watson	1,481,269

Joint Share Ownership Plan

In addition the Group introduced a JSOP for Directors and key personnel in the current year. Under the terms of the JSOP Directors are entitled to acquire an interest in newly issued shares. This interest is held by the Director if certain performance criteria measured by reference to growth in earnings per share of the Group over the next three financial year-ends are achieved and the Director must remain an employee or office holder of the Group. Provided the performance criteria condition is satisfied, the interest held by the Directors will provide them with any growth in the Company share price in respect of those shares above a hurdle price. For more information see note 22.

Pursuant to the JSOP Directors acquired interests in ordinary shares as follows:

Director	Date	Hurdle price	No. of Ordinary Shares
N Collins	29/04/2009	60p	150,000
C Watson	29/04/2009	60p	150,000
N Collins	18/12/2009	70p	100,000
C Watson	18/12/2009	70p	125,000

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments, including loans, cash, equity investments and various other items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

In order to manage the Group's exposure to these risks, in particular interest rate risk, the Group enters into derivative transactions including, but not limited to, variable to fixed interest rate swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken. The main risks arising from the Group's financial instruments are liquidity risk and interest rate risk. The Directors review and agree policies for managing each of these risks and they are summarised in note 21. These policies have remained unchanged from previous years.

Risks in relation to price and credit risk are not considered to have an impact on the Group financial position due to the majority of the customers paying by cash or credit card and the costs of goods being predictable.

CORPORATE GOVERNANCE

The ordinary shares of the Group are traded on AIM. Companies on AIM are not required to make an annual statement to shareholders regarding compliance with The Combined Code on Corporate Governance. However, the following statements are made in respect of corporate governance:

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Report of the Directors for the year ended 27 March 2010

BOARD OF DIRECTORS

Details of the Directors, their roles and their backgrounds are as follows

James Bruxner, CBE, Non-Executive Chairman

James has previously worked as a marketing manager at Guinness, as Managing Director of Gilbeys Limited and as Chairman of Justerini & Brooks Limited. He was Chairman of the North British Distillery Limited and the Scotch Whisky Association and founding Chairman of The Keepers of the Quaich. James was appointed as Chairman of the Group on 1 February 2001.

Clive Watson, ACA, Chief Executive

Clive qualified as a Chartered Accountant with Price Waterhouse in London in 1986 then joined the investment bank Manufacturers Hanover Limited where he spent three years. He joined Regent Inns plc as Finance Director and Company Secretary in 1990. Clive left Regent Inns plc in February 1998 and co-founded Tup Inns Limited, where he was responsible for financial and commercial matters as well as acquisitions, before becoming Chief Executive and Finance Director of Tom Hoskins plc, an AIM listed company. Clive was appointed as Finance Director of the Group on 21 December 2000 and became Chief Executive of the Group on 23 June 2008.

Nicholas Collins, ACA, Finance Director

Nicholas qualified as a Chartered Accountant with Arthur Andersen in London in 2001 where he spent five years advising on mid-market corporate finance transactions. Nicholas went on to found the Fuzzy's Grub retail catering chain in Central London which he grew from a start up to eight outlets over five years. Nicholas was appointed Finance Director on 6 March 2009.

David Bruce, Non-Executive Director

David has been involved in the brewing and leisure industry for over 43 years in a career that has covered both production and retailing. He founded Bruce's Brewery and the first Firkin pub in 1979, before developing a portfolio of Firkin branded pubs. The Firkin chain was sold in 1988, after which he joined Grosvenor Inns plc as an Executive Director in 1993, where he was responsible for developing and marketing The Slug and Lettuce brand. In September 1999, David formed a 50/50 joint venture company, Honeypot Inns plc, with Brakspear's Brewery and he sold his interest to Brakspear's in November 2000. David was appointed as Chief Executive of the Group on 21 December 2000 and moved to a non-executive role on 23 June 2008.

Richard Prickett, FCA, Non-Executive Director

Richard is a Chartered Accountant and has many years of corporate finance experience. Richard is currently an Executive Director of Landore Resources Limited and a Non-Executive Director of Patagonia Gold plc, City Natural Resources High Yield Trust plc and Non-Executive Chairman of The Romania Property Fund Limited and Asian Growth Properties Limited. Richard was appointed as a Non-Executive Director of the Group on 1 February 2001.

The Group is managed by the Board of Directors. The function of the Chairman is to supervise the Board and to ensure that the Board has control of the business. The function of the Chief Executive is to manage the Group on the Board's behalf.

All Board members have access, at all times, to sufficient information about the business to enable them to fully discharge their duties.

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Report of the Directors for the year ended 27 March 2010

The Board has established committees to fulfil specific functions

The *Audit Committee* comprises Richard Prickett (as chairman), James Bruxner and David Bruce. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the annual and interim accounts and the accounting and internal control systems in use by the Group.

The *Remuneration Committee* comprises James Bruxner (as chairman), Richard Prickett and David Bruce. It is responsible for determining and agreeing with the Board the framework for the remuneration of the Executive Directors, the Company Secretary and such other members of the management as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

All Directors are required, in turn, to stand for re-election every three years.

DIRECTORS' EMOLUMENTS

	Year ended 27 March 2010			Year ended 28 March 2009
	Salary/Fees £ 000	Bonus £ 000	Total £ 000	Total £ 000
J Bruxner	50	-	50	50
C Watson	190	50	240	220
D Bruce	78	-	78	242
R Prickett	30	-	30	30
N Collins	93	15	108	39
D Lees (resigned 6 March 2009)	-	-	-	25
D Kenyon (resigned 23 June 2008)	-	-	-	18
	441	65	506	624

RELATED PARTY TRANSACTIONS

During the year related party transactions took place with Bar & Kitchen Limited, Brew Securities Limited and European Sales Company Limited. Details of these transactions are in note 29 to the accounts.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and reviewing its effectiveness.

Key elements of the system of internal control include

- clearly defined levels of responsibility and delegation throughout the Group, together with well structured reporting lines up to the Board,
- the preparation of comprehensive annual budgets for each pub and head office, approved by the Board,
- a review of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year,

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Report of the Directors for the year ended 27 March 2010

- a process requiring Board authorisation for all major acquisitions and disposals, and
- regular reporting of legal and accounting developments to the Board

RELATIONS WITH SHAREHOLDERS

The Group maintains effective contact with shareholders and welcomes communication from investors. Shareholders are encouraged to attend the Annual General Meeting, at which time there is an opportunity for discussion with members of the Board. Press releases together with other information about the Group are available on the Group's website at www.capitalpubcompany.com

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors are required to prepare financial statements for each financial year, which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that year. In preparing those 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 IFRS accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY FINANCIAL STATEMENTS

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 year. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,

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Report of the Directors for the year ended 27 March 2010

- 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, and
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Directors are aware

- there is no relevant audit information of which the Group and Company's auditors are 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 auditors are aware of that information

POST BALANCE SHEET EVENT

This is discussed in the Chairman's statement and in note 30 to the accounts

GOING CONCERN

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements

AUDITOR

Mazars LLP offer themselves for reappointment as auditor in accordance with section 418 of the Companies Act 2006

On behalf of the Board



C WATSON
Director

23 June 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

We have audited the financial statements of The Capital Pub Company Plc for the 27 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 12 and 13, 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 Boards (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body for our audit work, for this report, or for the opinions we have formed.

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 web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 27 March 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

Mazars LLP, Chartered Accountants (Statutory auditor)
Samantha Russell (Senior statutory auditor)
Tower Bridge House
St Katharine's Way
London E1W 1DD

Date 23 June 2010

Notes

(a) The maintenance and integrity of The Capital Pub Company Plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

THE CAPITAL PUB COMPANY PLC

Consolidated income statement for the year ended 27 March 2010

	Note	Year to 27 March 2010 Total £ 000	Year to 28 March 2009 Total £ 000
Continuing Operations			
Revenue	5,7	22,005	19,771
Cost of sales		(5,917)	(5,329)
Gross profit	7	16,088	14,442
Other operating income	5	15	-
Administrative expenses		(11,900)	(10,799)
Operating profit before exceptional items	6,7	4,203	3,643
Operating profit before exceptional items		4,203	3,643
Share options charge		91	44
Depreciation		1,124	878
Earnings before exceptional items, share options charge, interest, tax and depreciation		5,418	4,565
Loss on property disposal		(6)	-
Impairment of property, plant and equipment	14	(3,004)	-
Impairment of other non-current properties	15	(405)	-
Impairment of Investment properties	16	(391)	-
Operating profit after exceptional items		397	3,643
Impairment of goodwill		-	(977)
Finance costs	11	(1,921)	(1,913)
Finance income		11	5
Movement in fair value of interest rate swaps		-	(309)
Share of profit of associate	17	4	-
(Loss)/profit before taxation		(1,509)	449
Taxation	10	197	91
(Loss)/profit for the year attributable to equity shareholders		(1,312)	540
(Loss)/earnings per share	Note	Pence	Pence
Basic	12	(6.44)	2 72
Diluted	12	(6.44)	2 72

The accompanying accounting policies and notes form an integral part of these financial statements

THE CAPITAL PUB COMPANY PLC

Consolidated statement of comprehensive income for the year ended 27 March 2010

	Note	Year to 27 March 2010 Total £ 000	Year to 28 March 2009 Total £ 000
(Loss)/profit for the year		(1,312)	540
Other comprehensive income net of tax			
Gains on revaluation of property	14,15	668	-
Gains/(loss) arising on cash flow hedge		871	(3,358)
Tax on revaluation of property	22	493	-
Tax on cash flow hedge	22	(244)	940
Tax relating to components of other comprehensive income		249	940
Other comprehensive income/(deficit) for the year net of tax		1,788	(2,418)
Total comprehensive income/(deficit) for the year attributable to equity shareholders		476	(1,878)

The accompanying accounting policies and notes form an integral part of these financial statements

THE CAPITAL PUB COMPANY PLC

Consolidated statement of financial position as at 27 March 2010

	Note	27 March 2010 £ 000	28 Mar £ 000
ASSETS			
Non-current assets			
Goodwill	13	110	-
Property, plant and equipment	14	63,842	68,012
Other non-current assets	15	1,950	1,023
Investment property	16	1,800	-
Investment in associated undertaking	17	266	-
Trade and other receivables	18	79	43
Deferred tax asset	22	863	-
		<u>68,910</u>	<u>69,078</u>
Current assets			
Inventories		302	316
Trade and other receivables	18	486	474
Cash and cash equivalents		2,299	1,647
		<u>3,087</u>	<u>2,437</u>
Total assets		<u>71,997</u>	<u>71,515</u>

The accompanying accounting policies and notes form an integral part of these financial statements

THE CAPITAL PUB COMPANY PLC

Consolidated statement of financial position as at 27 March 2010

	Note	27 March 2010 £ 000	28 March 2009 £ 000
LIABILITIES			
Current liabilities			
Bank loans and overdrafts	19	1,337	598
Trade and other payables	19	2,228	1,510
Current tax payable	19	707	186
Accruals	19	891	777
Derivative financial instruments	21	658	951
		5,821	4,022
Non-current liabilities			
Bank loans	20	29,264	30,286
Deferred tax liabilities	22	2,938	3,200
Derivative financial instruments	21	2,879	3,457
		35,081	36,943
Total liabilities		40,902	40,965
EQUITY			
Issued capital and reserves			
Share capital	23	10,293	9,953
Share premium		10,647	10,588
Revaluation reserve		12,206	11,045
Cash flow hedge reserve		(1,791)	(2,418)
Investment in own shares		(422)	-
Retained (loss)/earnings		(71)	1,240
Share options reserve		233	142
Total equity		31,095	30,550
Total equity and liabilities		71,997	71,515

These financial statements were approved by the board and authorised for issue on 23 June 2010

C WATSON
Director



The accompanying accounting policies and notes form an integral part of these financial statements

THE CAPITAL PUB COMPANY PLC

Consolidated statement of changes in equity for the year ended 27 March 2010

	Share capital	Share premium	Revaluation reserve	Cash flow hedge reserve	Investment in own shares	Retained earnings	Share options reserve	Total equity
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 29 March 2008	9,890	10,548	11,045	-	-	1,113	98	32,694
Other comprehensive income for the year	-	-	-	(2,418)	-	-	-	(2,418)
Profit or loss for the year	-	-	-	-	-	540	-	540
Total comprehensive income for the year	-	-	-	(2,418)	-	540	-	(1,878)
Shares issued in the year	63	40	-	-	-	-	-	103
Dividends paid	-	-	-	-	-	(413)	-	(413)
Net cost of share-based payments	-	-	-	-	-	-	44	44
At 28 March 2009	9,953	10,588	11,045	(2,418)	-	1,240	142	30,550
Other comprehensive income for the year	-	-	1,161	627	-	-	-	1,788
Profit or loss for the year	-	-	-	-	-	(1,312)	-	(1,312)
Total comprehensive income for the year	-	-	1,161	627	-	(1,312)	-	476
Shares issued in the year	340	59	-	-	-	-	-	399
Dividends paid	-	-	-	-	-	1	-	1
Investment in own shares	-	-	-	-	(422)	-	-	(422)
Net cost of share-based payments	-	-	-	-	-	-	91	91
At 27 March 2010	10,293	10,647	12,206	(1,791)	(422)	(71)	233	31,095

The accompanying accounting policies and notes form an integral part of these financial statements

THE CAPITAL PUB COMPANY PLC

Consolidated cash flow statement for the year ended 27 March 2010

	52 Weeks to 27 March 2010 £ 000	52 Weeks to 28 March 2009 £ 000
Cash flows from operating activities		
(Loss)/profit after taxation	(1,312)	540
Adjustments for		
Depreciation and amortisation	1,124	878
Share options charge	91	44
Finance income	(11)	(5)
Finance expense	1,921	1,913
Movement in fair value of interest rate swaps	-	309
Loss on property disposals	6	-
Impairment of goodwill	-	977
Impairment of properties	3,800	-
Taxation movement expense	(197)	(91)
Decrease/(increase) in inventories	27	(58)
Decrease/(increase) in debtors	(48)	171
Increase/(decrease) in creditors	404	(501)
Amortisation of bank arrangement fee	41	-
Share of profits of associate	(4)	-
Cash generated from operations	5,842	4,177
Interest paid	(1,984)	(2,233)
Income taxes paid	(158)	(208)
Net cash generated by operating activities	3,700	1,736
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,014)	(893)
Purchase of intangible fixed assets	(110)	-
Proceeds from sale of property, plant and equipment	11	-
Interest received	11	5
Acquisition of subsidiary, net of cash acquired	(361)	-
Acquisition of associate	(262)	-
Net cash used in investing activities	(2,725)	(888)
Cash flows from financing activities		
Proceeds from issue of share capital	-	103
Proceeds from long-term borrowings	(322)	850
Dividends paid	(1)	(413)
Net cash generated by financing activities	(323)	540
Net increase in cash and cash equivalents	652	1,388
Cash at beginning of year	1,647	259
Cash at end of year	2,299	1,647

The accompanying accounting policies and notes form an integral part of these financial statements

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

1 GENERAL INFORMATION

The Capital Pub Company plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out on page 6.

2 BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applied in accordance with the Companies Act 2006. This is the third annual reporting date at which we are required to use IFRS adopted by the EU.

These financial statements have been prepared on a historic cost basis, except for the revaluation of certain properties and derivative financial instruments that have been measured at fair value.

The accounting policies comply with IFRS that are mandatory for accounting periods ending on the balance sheet date. At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the Group's financial statements are as follows:

IFRS 3 (Revised 2008) Business combinations (effective for combinations on or after 1 July 2009)

The revised Standard introduces significant changes to the accounting requirements for business combinations, transactions with non-controlling interests (i.e. minority interests) and the loss of control of a subsidiary.

Whilst the adoption of IFRS 3 (Revised 2008) will impact the basis of accounting for any future acquisitions, including acquisition costs being expensed in the year incurred, the Directors do not anticipate this will have a material impact on the Group's financial statements.

New standards and interpretations

The following standards which are relevant to the Group are not intended to have a material impact on the financial statements in the financial year in which they are adopted. The effective dates below represent the latest date that the Group will be required to implement the standard:

- Amendments to IFRS 2 — Share-based Payment — effective for reporting periods beginning on or after 1 July 2009
- Amendment to IFRS 3 — Business Combinations — effective for reporting periods beginning on or after 1 July 2009
- Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – effective for reporting periods beginning on or after 1 July 2009 and 1 January 2010
- Amendment to IAS 7 – Statement of Cash Flows – effective for reporting periods beginning on or after 1 January 2010

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

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- Amendment to IAS 17 – Leases – effective for reporting periods beginning on or after 1 January 2010
 - Amendments to IAS 36 – Impairment of Assets – effective for reporting periods beginning on or after 1 January 2009 and 1 January 2010
 - Amendments to IAS 38 – Intangible Assets – effective for reporting periods beginning on or after 1 July 2009
 - Amendments to IAS 39 — Eligible Hedged Items — effective for reporting periods beginning on or after 1 July 2009 and 1 January 2010

New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009

IFRS 7 ‘Financial instruments – Disclosures’ (amendment) – effective 1 January 2009 The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy

IAS 1 (revised) ‘Presentation of financial statements’ – effective 1 January 2009 The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the Statement of Changes in Equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a Statement of Comprehensive Income. As a result the Group presents in the Consolidated Statement of Changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 2 ‘Share-based payment’(amendment) (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services, they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or company’s financial statements.

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, ‘Borrowing costs’ (2007) in accordance with the transition provisions of the standard, comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

IFRS 8, ‘Operating segments’, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, Segment reporting and aligns segment reporting with the

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change in the number of reportable segments presented. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no impact on the measurement of the Group's assets and liabilities as a result of adopting this standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 27 March 2010, however they are not materially different to the results of The Capital Pub Company Plc as a stand-alone company, as the subsidiaries of the Company are either dormant or have been non-trading for the entire year.

Business Combinations

Under the requirements of IFRS 3, Business Combinations, all business combinations are accounted for using the purchase method ("acquisition accounting"). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any costs directly attributable to the business combination.

On acquisition of a subsidiary, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at that date. Any excess of the cost of acquisition over the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition (ie discount on acquisition) is credited to the Consolidated Income Statement in the year of acquisition.

The results of subsidiaries acquired or disposed during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal. All intra group transactions, balances, income and expenses are eliminated on consolidation.

Associates

Associates are those enterprises in which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The Consolidated Income Statement reflects the investor's share of the results of operations of the investee. If the investor's share of losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil and recognition of further losses are discontinued, unless the investor has incurred obligations to the investee or to satisfy obligations of the investee that the investor has guaranteed or otherwise committed, whether funded or not. To the extent that the investor has incurred such obligations, the investor continues to recognise its share of losses of the investee.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. The cash-generating unit to which goodwill has been allocated has been tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Property, plant and equipment

Freehold buildings are held at their fair value and other property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Property, plant and equipment excluding freehold buildings are reviewed annually for indicators of impairment. Where any indicators are identified, assets are assessed individually for impairment. Impairment occurs where the recoverable amount of the asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is treated as a revaluation decrease to the extent that a surplus exists for the same asset, and thereafter as an expense in the Consolidated Income Statement. With the current economic climate the Directors have closely monitored recent acquisitions in the industry and compared purchase values with book carrying values and earnings for each site.

Depreciation

Depreciation is provided to write off the cost or valuation of property, plant and equipment on a straight-line basis over its estimated useful life, taking account of expected residual values and using the following rates:

Fixtures, fittings and equipment - 12.5% straight-line

Computer equipment - 50% straight-line

The management's depreciation policy reflects the estimated useful economic life based on the historical investment and refurbishment programme in the estate.

Freehold buildings are depreciated to their estimated residual values. An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, book value. Residual values are based on the estimated amount which would be currently obtainable from disposal of the asset, net of disposal costs, if the asset were already of the age and condition expected at the end of its useful life.

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Notes to the financial statements for the year ended 27 March 2010

Assets carried at valuation

Freehold properties are carried at valuation. Revaluation is to fair value. Fair value is determined in appraisals by external professional valuers once every three years, unless market-based factors indicate a material change in value. Any revaluation surplus is credited to 'revaluation reserve' in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. Downward revaluations are recognised upon appraisal, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the Consolidated Income Statement.

Repairs and Maintenance

Repairs and maintenance expenditure is charged to the Consolidated Income Statement as incurred.

Other non-current assets

Other non-current assets are carried at valuation less accumulated depreciation. Revaluation is to fair value. Fair value is determined in appraisals by external professional valuers once every three years, unless market-based factors indicate a material change in value. Any revaluation surplus is credited to 'revaluation reserve' in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. Downward revaluations are recognised upon appraisal, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the Consolidated Income Statement. Depreciation is provided on a straight line basis over the length of the lease, which is determined according to the lease agreement.

These assets have been created by the Group entering into operating leases.

Investment Property

Investment properties are held at cost less accumulated depreciation and impairment. Depreciation is provided to write off the cost of investment property on a straight line basis over its useful life. Investment properties are depreciated over 50 years.

Inventories

Inventories are stated at the lower of cost and net realisable value and are finished goods. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion. There are no write-downs recognised in the year (2009: £nil).

Capital Management

The Group aims to manage its overall capital so as to ensure the Group continues to operate as a going concern and to maintain sufficient financial flexibility to undertake planned investments, whilst providing an adequate return to shareholders. The Group also aims to optimise its capital structure in order to reduce the cost of capital and support the Group's operations. The Group's capital structure represents the equity attributable to the shareholders of the Company together with borrowings and cash and cash equivalents.

The Group's capital structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used. The Group calculates its gearing ratio as borrowings, including current and non-current borrowings, divided by total capital. During the year the group maintained appropriate levels of gearing in line with those approved by the Board, being within a range of 85%-99%.

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Notes to the financial statements for the year ended 27 March 2010

Financial assets

Financial assets consist of cash and trade and other receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Income Statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowances account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Consolidated Income Statement.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument and are initially recognised at fair value plus transaction costs, and subsequently at amortised cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the Consolidated Income Statement.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings comprise secured bank borrowings, and are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial

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Notes to the financial statements for the year ended 27 March 2010

recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method

Derivative financial instruments

The Group uses interest rate swaps to manage the exposure to changes in interest rates and these are classified as derivative financial instruments. Interest rate swaps are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. A policy of hedge accounting has been adopted and changes in fair value of the instruments are recognised in the cash flow hedge reserve as a component of equity on the balance sheet.

Hedge accounting

The Group designates certain derivative financial instruments as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the derivative financial instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the derivative financial instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values for cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the hedge ineffectiveness on the cash flow hedge line of the Consolidated Income Statement.

Dividends

Dividend distributions payable to equity shareholders are included in 'Trade and other payables' when the dividends are approved in general meeting prior to the balance sheet date, but remain unpaid at the balance sheet date.

Equity

Equity comprises the following:

- share capital - represents the nominal value of equity shares,
- share premium - represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,
- cash flow hedge reserve - represents the cumulative portion of the changes in fair value of derivative financial instruments which are deemed effective,
- revaluation reserve - represents gains and losses due to the revaluation of freehold property,
- investment in own shares - shares issued to the Group's Employee Benefit Trust,
- profit and loss reserve - represents retained profits and losses, and
- share options reserve - represents equity-settled share-based employee remuneration until such share options are exercised, forfeited or lapsed.

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Notes to the financial statements for the year ended 27 March 2010

Revenue

Revenue represents sales to customers in the public houses and management fees from third parties less value added tax. Revenue from sales to customers is recognised once the sale has occurred.

Income from management fees

Income from management fees is recognised when the Group has performed its obligation and in return obtained the right to consideration.

Income from investment properties

Income from investment properties represents the rental income under the 15 year lease of The Peer.

Share-based payment

All share-based payment arrangements granted after 7 November 2002 but which had not vested prior to the date of the transition are recognised in the financial statements.

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 Consolidated Income Statement with a corresponding credit to 'Share option reserve'. The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

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.

Leased assets

Operating lease rentals are charged to the Consolidated Income Statement on a straight-line basis over the term of the lease. There are no finance leases.

Capitalisation of borrowing costs

Borrowing costs are capitalised when a public house is closed for a significant refurbishment. Borrowing costs are capitalised on the value of the property in question at the Group's cost of borrowing.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Use of accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect certain of the reported figures. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, however, actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

- a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved, as detailed in note 16.
- b) The Group operates share incentive schemes as detailed in note 25. In order to calculate the annual charge in accordance with IFRS 2, management are required to make a number of assumptions. The accounting policy in relation to share options is set out above.
- c) The impairment review of goodwill is based on the budgeted performance of the relevant pub, which includes various assumptions with regard to trading performance, as detailed in note 13.

Disposals

There were no disposals in the year.

4 OPERATING SEGMENTS

For the year ended 27 March 2010, the Group adopted IFRS 8, Operating segments. IFRS 8 replaces IAS 14, Segment Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to the segments and to assess their performance. We report our segment information on the same basis as our internal management reporting structure, which drives how our company is organised and managed.

The Group is principally engaged as owner and operator of pubs in central London. The CODM has been identified as the Senior Executive Management (SEM) that exercises the day-to-day management function of the Group. Operational and financial information, which is primarily at an individual unit level, is received by the CODM on a monthly basis. The Group

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Notes to the financial statements for the year ended 27 March 2010

does not distinguish between geography or brand. The unit information does not meet the quantitative thresholds as required by IFRS 8, as such management have judged it appropriate to aggregate the financial information relating to all units into a single reportable segment.

Group revenues predominantly comprise sale of alcoholic and non-alcoholic beverages and food. All non-current assets are located within Greater London in the United Kingdom. All revenue is earned from sales to external customers and no major customers contribute to more than 10% of sales.

5 REVENUE

Revenue relates to the Group's principal activity and arises solely in the United Kingdom. An analysis of revenue is as follows:

	2010 £ 000	2009 £ 000
Continuing operations:		
Sales of goods	22,005	19,771
Other operating income:		
Investment property rental income	15	-
	<u>22,020</u>	<u>19,771</u>

6 OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

	2010 £ 000	2009 £ 000
This is arrived at after charging		
Depreciation	1,124	878
Fees payable to the Group's auditor for the audit of the Group's annual accounts	27	23
Fees payable to the Group's auditor and its associates for tax services	14	3
Other operating leases	40	21
Equity-settled share-based payments	91	44

7 ANALYSIS OF OPERATIONS

	Ongoing 2010 £ 000	Acquired 2010 £ 000	Total 2010 £ 000	Ongoing 2009 £ 000	Acquired 2009 £ 000	Total 2009 £ 000
Revenue	20,653	1,352	22,005	19,771	-	19,771
Cost of sales	(5,432)	(485)	(5,917)	(5,329)	-	(5,329)
Gross profit	15,221	867	16,088	14,442	-	14,442
Other operating income	15	-	15	-	-	-
Administrative expenses	(11,273)	(627)	(11,900)	(10,799)	-	(10,799)
Operating profit before exceptional items	3,963	240	4,203	3,643	-	3,643

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Notes to the financial statements for the year ended 27 March 2010

Those defined as Ongoing were held for that entire year and those called Acquired were bought during that year, as detailed in note 24

8 EMPLOYEES

	2010	2009
	£ 000	£ 000
Staff costs, excluding directors, consist of		
Wages and salaries	5,614	5,238
Social security costs	389	378
Share based payments	65	26
	6,068	5,642

The average number of employees of the Group during the year was 349 (2009 336) Of these, 337 were based in the pubs (2009 326) and 12 were in Head Office (2009 10)

9 DIRECTORS' EMOLUMENTS

	2010	2009
	£ 000	£ 000
Emoluments	458	481
Compensation for loss of office	48	143
Share based payments	26	18
	532	642

Fees paid by the Group in respect of the highest paid director amounted to £240,000 (2009 £242,500)

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Notes to the financial statements for the year ended 27 March 2010

10 TAXATION

	2010 £ 000	2009 £ 000
Current tax		
Taxation on profits on ordinary activities	707	187
Adjustments in respect of prior years	(29)	(89)
	<u>678</u>	<u>98</u>
Deferred tax		
Original and reversal of timing differences	(12)	(189)
Impairment of properties	(863)	-
Total deferred tax	<u>(875)</u>	<u>(189)</u>
Income tax expense	<u>(197)</u>	<u>(91)</u>

The relationship between the expected tax expense based on the tax rate of 28% and the tax expense actually recognised in the income statement can be reconciled as follows

	2010 £ 000	2009 £ 000
(Loss)/profit before tax	(1,509)	449
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 28%)	<u>(422)</u>	<u>126</u>
Effects of		
Expenses not deductible for tax purposes	31	24
Unrecognised temporary difference	201	-
Movement relating to share options	25	12
Movement in deferred tax asset not previously recognised	(3)	(164)
Adjustments to prior year (current tax)	(29)	(89)
Taxation on profits on ordinary activities	<u>(197)</u>	<u>(91)</u>

11 FINANCE COSTS

	2010 £ 000	2009 £ 000
Bank loans and overdraft	<u>1,921</u>	<u>1,913</u>

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Notes to the financial statements for the year ended 27 March 2010

12 (LOSS)/EARNINGS PER SHARE

The table below reconciles reported (loss)/earnings to Adjusted Earnings which highlight the underlying performance of the business. The calculation of the basic and fully diluted earnings per share is based on this data

	2010 £ 000	2009 £ 000
(Loss)/earnings after taxation for the purpose of basic and diluted earnings per share	(1,312)	540
Impairment of property, plant and equipment	3,004	-
Impairment of other non-current assets	405	-
Impairment of investment properties	391	-
Movement in fair value of interest rate swaps	-	309
Impairment of goodwill	-	977
Tax adjustments in respect of prior years	(29)	(89)
Deferred tax on property impairment	(863)	-
Deferred tax on goodwill impairment	-	(274)
Deferred tax on movement in fair value of interest rate swap	-	(294)
Loss on property disposals	6	-
Share options charge	91	44
Exceptional operating charges	361	305
Adjusted earnings	2,054	1,518
Number of shares		
Weighted average number of shares for basic earnings per share	20,361,183	19,850,189
Dilutive effect of share options in issue during the year	52,560	-
Weighted average number of shares for diluted earnings per share	20,413,743	19,850,189
Earnings per share	Pence	Pence
Basic (loss)/earnings per share	(6.44)	2.72
Fully diluted (loss)/earnings per share	(6.44)	2.72
Adjusted basic earnings per share	10.09	7.65
Adjusted fully diluted earnings per share	10.06	7.65

The dilutive affect of share options has not been disclosed within the Consolidated Income Statement for earnings per shares as the effect is anti-dilutive (i.e. decreases the loss per share)

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Notes to the financial statements for the year ended 27 March 2010

13 GOODWILL

	£ 000
Cost or valuation	
At 29 March 2008	977
Impairment of goodwill	<u>(977)</u>
At 28 March 2009	-
Purchased goodwill	110
At 27 March 2010	<u>110</u>
At 28 March 2009	<u>-</u>
At 29 March 2008	<u>977</u>

The goodwill of £110,000 arose on the acquisition of The Wishing Well public house (£100,000) (to be renamed The Victoria Inn) and the acquisition of the leasehold interest in The Uplands public house (£10,000)

This has been tested for impairment through value in use calculations of the cash-generating unit. In assessing whether a write-down of goodwill is required to the carrying value of the related asset, the carrying value of the combined CGU's, is compared with its recoverable amount. The recoverable amount for each CGU, and collectively for the combined CGU's, has been measured based on value in use ("VIU")

The key assumptions used in calculating VIU relate to sales and EBITDA over two to four years, the discount rate and the growth rate used in calculating terminal values

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts specific to the London market. Growth in the London pub sector is predicted to remain constant as the capital benefits from tourism and constant employment levels. Changes in selling prices and direct costs are based on past practices, predicted future duty and tax rises and expectations of future changes in the market. It is anticipated that sales volumes will grow at a similar level to the current year over the next one to two years as the company continues to pursue its strategy of improving service and standards.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of two per cent. This rate does not exceed the average long-term growth rate for the London pub sector. The rate used to discount the forecast cash flows is four per cent.

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Notes to the financial statements for the year ended 27 March 2010

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings £ 000	Fixtures, fittings and equipment £ 000	Computer equipment £ 000	Total £ 000
Cost or valuation				
At 29 March 2008	62,383	6,990	258	69,631
Additions	77	761	54	892
At 28 March 2009	62,460	7,751	312	70,523
Additions	75	999	17	1,091
Acquired in business combination	823	49	-	872
Disposals	-	(20)	-	(20)
Transfer to investment properties	(1,873)	(380)	-	(2,253)
Revaluation	132	-	-	132
At 27 March 2010	61,617	8,399	329	70,345
Depreciation				
At 29 March 2008	-	1,520	146	1,666
Charge for the year	-	764	81	845
At 28 March 2009	-	2,284	227	2,511
Charge for the year	-	968	85	1,053
Disposals	-	(3)	-	(3)
Transfer to investment properties	-	(62)	-	(62)
Impairment	2,883	121	-	3,004
At 27 March 2010	2,883	3,308	312	6,503
Net book value:				
At 27 March 2010	58,734	5,091	17	63,842
At 28 March 2009	62,460	5,467	85	68,012
At 29 March 2008	62,383	5,470	112	67,965

All land and buildings, except those acquired as part of a business combination, were revalued by AG&G Chartered Surveyors on 27 March 2010. The properties were valued as operational entities, taking into account their trading potential. The Directors have considered the fair value of the freehold properties and are comfortable, given both the quality of the estate and the quality of trading, that carrying values are not materially different from the market value.

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Notes to the financial statements for the year ended 27 March 2010

The revaluation was at fair value less cost to sell. As a result of the revaluation the estate, which is considered as one cash generating unit, properties were revalued upwards totalling £0.1m and properties were impaired totalling £3.0m. The impairments reflect the decrease in profit multiples applied to pub profits for valuation purposes as a result of the general economic conditions. If freehold land and buildings had not been re-valued, they would have been included on the historical cost basis at the following amounts:

	Freehold buildings £ 000
Net book amount at 27 March 2010	46,485
Net book amount at 28 March 2009	47,420

During the year the Group capitalised borrowing costs of £40,524. These are capitalised at a rate of 7.04% on the value of the freehold property in question.

15 OTHER NON-CURRENT ASSETS

	Total £ 000
Cost or valuation	
At 29 March 2008	1,031
Additions	76
	<hr/>
At 28 March 2009	1,107
Additions	90
Acquired in business combination	777
Revaluation	536
	<hr/>
At 27 March 2010	2,510
Depreciation	
At 29 March 2008	51
Charge for the year	33
	<hr/>
At 28 March 2009	84
Charge for the year	71
Impairment	405
	<hr/>
At 27 March 2010	560
Net book value:	
At 27 March 2010	<hr/> 1,950
At 28 March 2009	<hr/> 1,023
At 29 March 2008	<hr/> 980

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Notes to the financial statements for the year ended 27 March 2010

Other non current assets represent the premiums on the leaseholds of five pubs, which are being written off over the life of the leases. Carrying values are reviewed annually by management to ensure they reflect an accurate valuation of these pubs.

All other non-current assets, except one acquired as part of a business combination and one which was valued by the directors, were revalued by AG&G Chartered Surveyors on 27 March 2010. The properties were valued as operational entities, taking into account their trading potential. The impairments reflect the decrease in profit multiples applied to pub profits for valuation purposes as a result of the general economic conditions.

16 INVESTMENT PROPERTIES

	Total £ 000
Cost or valuation	
At 29 March 2008	-
At 28 March 2009	-
Transfer from property, plant and equipment	2,253
At 27 March 2010	2,253
Depreciation	
At 29 March 2008	-
At 28 March 2009	-
Transfer from property, plant and equipment	62
Impairment	391
At 27 March 2010	453
Net book value:	
At 27 March 2010	1,800
At 28 March 2009	-
At 29 March 2008	-

Investment properties represent the value of the freehold pub The Peer which is let on a 15 year lease. Investment properties are held at cost less accumulated depreciation and impairment and an annual impairment review is carried out to ensure carrying value does not exceed the recoverable amount. The recoverable amount is calculated by reference to the London pub market, yields and the level of trade within the property. Recoverable amount is calculated by management.

The property rental income is included in note 5. There are no direct operating expenses associated with the investment property.

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Notes to the financial statements for the year ended 27 March 2010

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Total £ 000
At 29 March 2008	-
At 28 March 2009	-
Additions	262
Share of results	4
At 27 March 2010	<u>266</u>

The following information is given in respect of the Group's associate

	2010 £ 000	2009 £ 000
Revenues	200	-
Profit for the year	12	-
Total assets	2,402	-
Total liabilities	1,686	-

The Group acquired a 40% interest in Ensco 600 Limited, a company incorporated in England and Wales, on 11 January 2010. The reporting date of Ensco 600 Limited is 31 December, however unaudited figures to 31 March 2010 have been utilised. The principle activity of Ensco 600 Limited is the ownership and operation of the freehold pub The Havelock Tavern.

18 TRADE AND OTHER RECEIVABLES

	2010 £ 000	2009 £ 000
Current:		
Trade receivables	96	242
Prepayments and accrued income	134	113
Other debtors	256	119
	<u>486</u>	<u>474</u>
Non current:		
Other debtors	79	43
	<u>79</u>	<u>43</u>

Carrying values of trade and other receivables are considered to be approximate to their fair values.

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Notes to the financial statements for the year ended 27 March 2010

19 CURRENT LIABILITIES

	2010 £ 000	2009 £ 000
Bank loans and overdrafts (note 21)	1,337	598
Trade payables	1,126	898
Deferred consideration	346	-
Corporation tax	707	186
Taxation and social security	756	612
Accruals	891	777
	<u>5,163</u>	<u>3,071</u>

The carrying values of current liabilities are considered to be approximate to their fair values

20 NON CURRENT LIABILITIES

	2010 £ 000	2009 £ 000
Bank loans	<u>29,264</u>	<u>30,286</u>

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Notes to the financial statements for the year ended 27 March 2010

21 FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities have been analysed into categories as below

	2010 £ 000	2009 £ 000
Financial assets		
Loans and receivables		
Current portion of other debtors (note 18)	352	361
Long-term portion of other debtors (note 18)	79	43
Cash & cash equivalents	2,299	1,647
	<u>2,730</u>	<u>2,051</u>
Financial liabilities		
Measured at amortised cost		
Bank loans and overdrafts (note 19)	1,337	598
Trade payables (note 19)	1,126	898
Deferred consideration (note 19)	346	-
Bank loans (note 20)	29,264	30,286
Derivatives used for hedging		
Fair values of cash flow hedges	3,537	4,408
	<u>35,610</u>	<u>36,190</u>
Total net financial liabilities	<u>32,880</u>	<u>34,139</u>

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. The Group policy throughout the year has been to ensure continuity of funding by retaining profits, issuing equity shares and agreeing an appropriate loan facility with the bank. Short term flexibility is also achieved by use of overdraft facilities, when required.

Maturity profile of financial liabilities

Non-derivative financial liabilities, contracted and undiscounted

	£ 000 Within one year	£ 000 One to two years	£ 000 Two to five years	£ 000 After five years
Trade payables	1,472	-	-	-
Bank loans	2,506	2,541	7,747	25,118
	<u>3,978</u>	<u>2,541</u>	<u>7,747</u>	<u>25,118</u>

Derivative financial liabilities, contracted, undiscounted and settled on a net basis

	£ 000 Within one year	£ 000 One to two years	£ 000 Two to five years	£ 000 After five years
Interest rate swap	685	668	1,605	723
	<u>685</u>	<u>668</u>	<u>1,605</u>	<u>723</u>

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Notes to the financial statements for the year ended 27 March 2010

Bank borrowings

The bank loan and overdraft are secured by a fixed charge over all of the Group's properties, and a debenture over the assets of the Group. The overdraft facility is renewed on an annual basis, the next renewal date being 30 September 2010. The loan is repayable in instalments between 2010 and 2017 with a final payment in 2017.

There have been no defaults or breaches in respect of the bank loans during the year.

Derivative financial instruments

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract. All of the derivative financial instruments are in place to match cash payments made on the floating rate debt.

The fair values of the interest rate swaps are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates. None of the cash flow hedge was considered ineffective in the year (2009: none). Payments due under the terms of the interest rate swaps are made quarterly.

The following financial assets and liabilities are subject to interest rate risk:

	Interest rate	2010 £ 000	2009 £ 000
Cash and cash equivalents	Base rate -1%	(2,299)	(1,647)
Bank borrowings –	Base rate +1.65%, Libor + 1.25%	30,788	30,884
<i>Derivative financial instruments</i>			
£15m swap expiring September 2016	6.70%	1,812	2,350
£5m swap expiring September 2017	7.04%	818	1,223
£8m swap expiring September 2013	6.45%	907	835
£4m collar expiring September 2009		-	-
		<u>3,537</u>	<u>4,408</u>
Total net interest bearing liabilities		<u>32,026</u>	<u>33,645</u>

Bank borrowings are held at amortised cost, derivative financial instruments are held at fair value, calculated by reference to the net present value of future cash flows.

Foreign exchange risk

The Group has no foreign investments and as such there are no foreign exchange risks.

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Notes to the financial statements for the year ended 27 March 2010

Credit risk

The Group believes as a highly cash-generative business there is little or no risk of credit impairment consequently no financial assets are impaired and no trade assets are considered past due

22 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period

Deferred Tax Liabilities	Accelerated tax depreciation £ 000	Revaluation of building £ 000	Total £ 000
As at 29 March 2008	774	3,976	4,750
Charge to income	105	-	105
Credit to other comprehensive income	-	(350)	(350)
As at 28 March 2009	879	3,626	4,505
Charge to income	30	-	30
Credit to other comprehensive income	-	(493)	(493)
As at 27 March 2010	909	3,133	4,042

Deferred Tax Assets	Revaluation of financial assets £ 000	Provisions £ 000	Impairment losses £ 000	Tax losses £ 000	Total £ 000
As at 29 March 2008	-	-	-	71	71
Credit to income	294	-	-	-	294
Credit to other comprehensive income	940	-	-	-	940
As at 28 March 2009	1,234	-	-	71	1,305
Credit to income	-	43	863	-	906
Credit to other comprehensive income	(244)	-	-	-	(244)
As at 27 March 2010	990	43	863	71	1,967

£863,000 of deferred tax asset has been recognised in respect of properties revalued downwards. Recognition of this asset is dependent on chargeable gains of an equivalent amount being available in the future to offset the capital losses carried forward. It is more probable than not this will be the case through the Group's purchasing and disposals of pubs in the medium term.

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Notes to the financial statements for the year ended 27 March 2010

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

	2010 £ 000	2009 £ 000
Deferred tax liabilities	(4,042)	(4,505)
Deferred tax assets	1,104	1,305
	<u>(2,938)</u>	<u>(3,200)</u>
Deferred tax assets not available for offset	863	-
	<u>(2,075)</u>	<u>(3,200)</u>

23 SHARE CAPITAL

	2010 £ 000	2009 £ 000
Authorised Equity share capital 42,500,000 ordinary shares of 50p each	<u>21,250</u>	<u>21,250</u>

There are no rights, preferences or restrictions attached to any of the ordinary shares

	Number	£ 000
Allotted called up and fully paid Equity share capital		
As at 29 March 2008	19,779,873	9,890
Allotted in the year (Ordinary shares of 50p each)	126,035	63
As at 28 March 2009	<u>19,905,908</u>	<u>9,953</u>
Allotted in the year (Ordinary shares of 50p each)	700,000	350
Cancelled in year (Ordinary shares of 50p each)	(20,000)	(10)
As at 27 March 2010	<u>20,585,908</u>	<u>10,293</u>

700,000 ordinary shares were issued during the year. The nominal value of these shares was £350,000. These issues were pursuant to the JSOP and comprised 425,000 shares issued at 57.5p and 275,000 at 64.5p. 20,000 ordinary shares were cancelled during the year. The nominal value of these shares was £10,000.

24 BUSINESS COMBINATIONS

During the year the Group made the following acquisitions

- On 1 April 2009, the Group acquired 100% of the issued share capital of Terisco Limited, which owns the Bishop pub, for a consideration of £432,000. Post the year end additional consideration of £346,000 was paid as per the terms of an earn-out arrangement. All consideration was paid in cash. No intangible fixed assets were identified on acquisition.

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Notes to the financial statements for the year ended 27 March 2010

- On 10 November 2009 the Group acquired the trade and assets of the Wishing Well pub for a consideration of £880,000 in cash. No intangible fixed assets were identified on acquisition.
- On 11 January 2010 the Group acquired trade and assets of the Uplands pub for a consideration of £50,000 in cash. No intangible fixed assets were identified on acquisition.

The net assets of the business acquired during the year, as extracted from the acquiree's accounting records, and the fair value adjustments ascribed thereto, are set out below:

Bishop	Book values	Fair value adjustments	Fair values acquired
	£ 000	£ 000	£ 000
Non-current assets	41	684	725
Fixtures and fittings	49	-	49
Inventories	14	-	14
Debtors	23	-	23
Cash	99	-	99
Trade Payables	(104)	-	(104)
Total fair value of net assets acquired			<u>806</u>
Total consideration comprises			
Cash			432
Acquisition costs			28
Deferred consideration (see note 19)			<u>346</u>
			<u>806</u>

Wishing Well	Book values	Fair value adjustments	Fair values acquired
	£ 000	£ 000	£ 000
Goodwill	100	-	100
Freehold	780	43	823
Total fair value of net assets acquired			<u>923</u>
Total consideration comprises			
Cash			880
Acquisition costs			<u>43</u>
			<u>923</u>

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Notes to the financial statements for the year ended 27 March 2010

Uplands	Book values £ 000	Fair value adjustments £ 000	Fair values acquired £ 000
Goodwill	10		10
Non-current assets	40	12	52
Total fair value of net assets acquired			62
Total consideration comprises			
Cash			50
Acquisition costs			12
			62

25 SHARE OPTIONS

The Group operates share option schemes for directors and key employees. These share option schemes vest three years from the date of grant and if not exercised expire between six and ten years from the date of vesting. The table below summarises changes in options over the Group's ordinary shares during the year and shows the position at the year end.

As at 28 March 2009	Granted in the year	Forfeited & cancelled	Lapsed in the year	Exercised in the year	As at 27 March 2010	Exercise price	Exercise date from	Exercise date to
3,173,802	-	(181,198)	-	-	2,992,604	115p	23/09/2006	22/09/2014
91,518	-	-	-	-	91,518	115p	01/02/2001	31/01/2011
110,909	-	(110,909)	-	-	-	110p	28/10/2005	27/10/2012
60,000	-	(40,000)	(20,000)	-	-	110p	15/11/2005	14/11/2012
60,000	-	(40,000)	(20,000)	-	-	115p	04/08/2006	03/08/2013
60,000	-	(60,000)	-	-	-	115p	15/03/2007	14/03/2014
50,000	-	(40,000)	(10,000)	-	-	115p	15/06/2007	14/06/2014
80,000	-	(60,000)	(20,000)	-	-	100p	30/03/2008	29/03/2015
30,000	-	(30,000)	-	-	-	100p	01/08/2008	31/07/2015
85,000	-	(55,000)	(30,000)	-	-	115p	09/02/2009	08/02/2016
190,000	-	(150,000)	(40,000)	-	-	150p	06/02/2010	05/02/2017
619,850	-	(349,916)	-	-	269,934	150p	24/05/2009	23/05/2017
121,666	-	(101,666)	-	-	20,000	150p	25/05/2010	24/05/2017
30,000	-	(30,000)	-	-	-	113 5p	13/02/2011	12/02/2018
-	876,666	-	-	-	876,666	50p	20/04/2012	19/04/2019
-	190,909	-	-	-	190,909	57 5p	29/04/2012	28/04/2019
-	200,000	-	-	-	200,000	62p	09/09/2012	08/09/2019
-	100,000	-	-	-	100,000	63p	16/12/2012	15/12/2019
4,762,745	1,367,575	(1,248,689)	(140,000)	-	4,741,631			

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Notes to the financial statements for the year ended 27 March 2010

Of the 1,248,689 options forfeited and cancelled during the year, 817,575 were modified. Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows

	2010		2009	
	Number	WAEP (pence)	Number	WAEP (pence)
Outstanding at the beginning of the year	4,762,745	122	5,037,745	122
Granted during the year	1,367,575	54	-	-
Exercised during the year	-	-	-	-
Surrendered during the year	1,248,689	130	-	-
Lapsed during the year	140,000	122	(275,000)	134
Outstanding at the year end	4,741,631	100	4,762,745	122
Exercisable at the year end	3,374,056	118	3,801,229	114

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

2010

During the year the following options were granted

Date of issue	Average share price	Average exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield	Fair value at grant date
	Pence	Pence	%	Years	%	%	£
20/04/2009	48	50	30%	6	4.0	3.0	0.12
29/04/2009	57.5	57.5	30%	6	4.0	3.0	0.15
09/09/2009	62	62	30%	6	4.0	3.0	0.16
16/12/2009	63	63	30%	6	4.0	3.0	0.16

During the year 1,248,689 employee share options were forfeited and cancelled. In relation to these 817,575 were modified on the 29 April 2009 and issued at a lower strike price of 57.5p, the share price at the time, with a further three years until the options vest. The incremental fair value granted was £69,000.

2009

During the year no options were granted

Expected volatility was determined by calculating the historical volatility of the Group's share price. The expected life used in the model is based on the management's best estimate, taking into account exercise restrictions and behavioural considerations.

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Notes to the financial statements for the year ended 27 March 2010

In respect of the fair value calculated for the options the following amounts have been included in these financial statements

	2010 £ 000	2009 £ 000
Included in equity	(91)	(44)
Share based payment charged to the Income Statement	91	44

The charge expensed in the year includes a charge in relation to the JSOP scheme as all performance conditions are considered to have been met

The Group introduced a Joint Share Ownership Plan ("the JSOP") for Directors and key personnel in the current year

Under the terms of the JSOP new ordinary shares of 50 pence each are issued to the Company's Employee Benefits Trust (the "Trust"). The Trust acquires them under the terms of a co-ownership agreement with The Capital Pub Company Limited, a wholly owned subsidiary of the Trust. The Trust sells its interest in the shares to employees pursuant to a JSOP. Under the JSOP the interest in the shares acquired by the employee will be reacquired by the trustee if certain performance criteria measured by reference to growth in earnings per share of the Company over the next three financial year-ends are not achieved or the employee ceases to be an employee or officeholder of the Company or its subsidiaries. Provided that the performance condition is satisfied, the interest in the shares held by the employee will provide the employee with any growth in the Company share price in respect of these shares above a hurdle price.

Date granted	As at 28 March 2009	Granted in the year	As at 27 March 2010	Hurdle price	Exercise date from
29/04/2009	-	425,000	425,000	60p	29/04/2012
17/12/2009	-	275,000	275,000	70p	17/12/2012
Total	-	700,000	700,000		

In determining the fair value of awards under the JSOP the Black-Scholes model is used. The significant assumptions made were as follows:

Date of issue	Average share price Pence	Average exercise price Pence	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Fair value at grant date £
29/04/2009	57.5	60	30%	4	4.00	3.0	0.052
17/12/2009	64.5	70	30%	4	4.00	3.0	0.079

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

26 CAPITAL COMMITMENTS

	2010	2009
	£ 000	£ 000
Contracted but not provided for	-	400

This relates to the earn-out payment in respect of the purchase of Terisco Limited

27 COMMITMENTS UNDER OPERATING LEASES

The Group has entered into commercial property leases on certain leasehold properties, consisting of public houses. These non-cancellable leases have various remaining non-cancellable lease terms of up to 35 years. All leases include a clause to enable upward revision of the rental charge, typically on a five yearly basis based on prevailing market conditions. As at 27 March 2010, the Group had commitments over the life of the lease at the current rental amount included below. The figure below also includes satellite contracts non-cancellable within one year.

	2010	2009
	£ 000	£ 000
Operating leases which expire		
Within one year	1,000	643
Two to five years	3,348	822
Over five years	5,576	4,817

28 DIVIDENDS

There is no proposed final dividend for the year (2009 nil)

29 RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place

During the year ending March 2009 £99,000 was received from The Capital Pub Company 2 plc now known as The Convivial Pub Company plc, a company of which C Watson and D Bruce were both Directors until 23 June 2008, at which date C Watson resigned. There were no payments made during this year.

£228,000 (2009 £220,000) was paid to Bar and Kitchen Limited, a company of which C Watson is a director and shareholder, in respect of fees for C Watson's services. There was no balance outstanding at the year end (2009 nil).

£77,500 (2009 £242,500) was paid to Brew Securities Limited, a company of which D Bruce is a director and shareholder, £30,000 of which was for D Bruce's services and £47,500 in lieu of notice for executive directorial duties. There was no balance outstanding at the year end (2009 nil).

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

£30,000 (2009 £30,000) was paid to European Sales Company Limited, a company of which R Prickett is a director, for the services of R Prickett as a director. There was no balance outstanding at the year end (2009 £nil)

30 POST BALANCE SHEET EVENTS

On 3 June 2010 the freehold interest of The Marquis of Granby pub was disposed of for a consideration of £3,490,000. The Group simultaneously entered into a lease agreement in respect of the pub.

THE CAPITAL PUB COMPANY PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

We have audited the parent company financial statements of The Capital Pub Company Plc for the year ended 27 March 2010 which comprise the Parent Company Balance Sheet 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the parent company 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. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body for our audit work, for this report, or for the opinions we have formed.

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 web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 27 March 2010,
- 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

THE CAPITAL PUB COMPANY PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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

Other matter

We have reported separately on the group financial statements of The Capital Pub Company Plc for the year ended 27 March 2010

Mazars LLP, Chartered Accountants (Statutory auditor)
Samantha Russell (Senior statutory auditor)
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 23 June 2010

Notes

(a) The maintenance and integrity of The Capital Pub Company Plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

THE CAPITAL PUB COMPANY PLC

Company Balance Sheet as at 27 March 2010

	Note	2010 £ 000	2010 £ 000	2009 £ 000	2009 £ 000
FIXED ASSETS					
Intangible assets	3		110		-
Tangible fixed assets	4		65,792		69,035
Investment accounted for using the equity method	6		262		-
Investment property	5		1,800		-
			<u>67,964</u>		<u>69,035</u>
CURRENT ASSETS					
Stock		302		316	
Debtors due within one year	7	486		474	
Debtors due after more than one year	8	79		43	
Cash at bank and in hand		2,299		1,647	
			<u>3,166</u>	<u>2,480</u>	
CREDITORS: amounts falling due within one year	9	(5,163)		(3,071)	
NET CURRENT LIABILITIES			<u>(1,997)</u>		<u>(591)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>65,967</u>		<u>68,444</u>
CREDITORS: amounts falling due after more than one year	10		(29,264)		(30,286)
PROVISIONS FOR LIABILITIES	12		(796)		(793)
			<u>35,907</u>		<u>37,365</u>
CAPITAL AND RESERVES					
Called up share capital	13		10,293		9,953
Share premium account	15		10,647		10,588
Revaluation reserve	15		15,436		14,768
Investment in own shares	15		(422)		-
Share option value reserve	15		233		142
Profit and loss account	15		(280)		1,914
EQUITY SHAREHOLDERS' FUNDS	16		<u>35,907</u>		<u>37,365</u>

These financial statements were approved by the board on 23 June 2010



C WATSON
Director

1 ACCOUNTING POLICIES

The financial information has been prepared under the historical cost convention, as modified by the revaluation of land and buildings, on a going concern basis and in accordance with applicable accounting standards. In accordance with Financial Reporting Standard ('FRS') 18, the Company has reviewed its accounting policies and estimation techniques and considers that these policies are the most appropriate. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to customers in the public houses and management fees to third parties charged less value added tax. Turnover from sales to customers is recognised once the sale has occurred. Turnover from management fees is recognised when the Company has performed its obligation and in return obtained the right to consideration.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Depreciation is provided to write off the cost or valuation of a fixed asset on a straight-line basis over its estimated useful life, taking account of expected residual values, based on prices prevailing at the date of acquisition or subsequent valuation, using the following rates:

Fixtures, fittings and equipment	- 12.5% straight-line
Computer equipment	- 50% straight-line
Leasehold land and buildings	- over the lease term

Depreciation is not charged on freehold properties, because of the long expected useful lives of the properties and their high residual value. In accordance with FRS 15, regular impairment reviews are performed on those properties as prescribed by FRS 11, ensuring the estimated residual values of the properties are not materially different from the carrying value of the property. The portfolio of public houses is re-valued professionally every three years. Any material surplus arising on revaluation is credited to the revaluation reserve where it remains until the time it crystallises, at which point it is transferred to the profit and loss account.

Investment properties

Investment properties are held at cost less accumulated depreciation and impairment. Depreciation is provided to write off the cost of investment property on a straight line basis over its useful life. Investment properties are depreciated over 50 years.

Intangible fixed assets and goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets of the leasehold property acquired, is capitalised and is amortised on a straight-line basis over its estimated useful economic life, being the length of the lease. If goodwill is considered to be impaired this is written down against profit.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

Stock

Stocks are finished goods valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Cash flow

The company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 'Cash flow statement's'. The cash flows of the company are included in the consolidated financial statements.

Financial instruments

Financial instruments are treated as debt or equity according to their underlying nature, as required by FRS25.

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 shareholder funds.

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, but remain unpaid as at the balance sheet date.

The Company has the following derivative financial instruments in place, full details of which can be found in the Group financial statements.

<i>Derivative financial instruments</i>	<i>Interest rate</i>
£15m swap expiring September 2016	6.70%
£5m swap expiring September 2017	7.04%
£8m swap expiring September 2013	6.45%

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share-based payment

All share-based payment arrangements granted after 7 November 2002 which had not vested by the date of transition to FRS20 are recognised in the profit and loss account.

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

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 'Share option value 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.

Leased assets

Operating lease rentals are charged to the profit and loss statement on a straight-line basis over the term of the lease. There are no finance leases.

Capitalisation of borrowing costs

Borrowing costs are capitalised when a public house is closed for a significant refurbishment. Borrowing costs are capitalised at the Group's cost of borrowing.

2 PROFIT FOR THE YEAR

In accordance with the exemption permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The loss for the year attributable to ordinary shareholders and dealt with in the accounts of the Company was £2,194,000 (2009 profit £663,000).

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

3 INTANGIBLE FIXED ASSETS

	Purchased goodwill £ 000
Cost	
At 28 March 2009	-
Additions	110
At 27 March 2010	<u>110</u>
Amortisation and impairment	
At 28 March 2009	-
Impairment for the year	-
At 27 March 2010	<u>-</u>
Net book value:	
At 27 March 2010	<u><u>110</u></u>
At 28 March 2009	<u>-</u>

Purchased goodwill has arisen on the acquisition of the trade and assets of two pubs. See note 13 of the consolidated financial statements.

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

4 TANGIBLE FIXED ASSETS

	Freehold buildings £ 000	Leasehold land and buildings £ 000	Fixtures, fittings and equipment £ 000	Computer equipment £ 000	Total £ 000
Cost or valuation					
At 28 March 2009	62,460	1,107	7,751	312	71,630
Additions	75	90	999	17	1,181
Acquired in business combination	823	777	49	-	1,649
Disposals	-	-	(20)	-	(20)
Transfer to investment properties	(1,873)	-	(380)	-	(2,253)
Revaluation	132	536	-	-	668
Impairment	(2,883)	(405)	(121)	-	(3,409)
At 27 March 2010	58,734	2,105	8,278	329	69,446
Depreciation					
At 28 March 2009	-	84	2,284	227	2,595
Charge for the year	-	71	968	85	1,124
Disposals	-	-	(3)	-	(3)
Transfer to investment properties	-	-	(62)	-	(62)
At 27 March 2010	-	155	3,187	312	3,654
Net book value:					
At 27 March 2010	58,734	1,950	5,091	17	65,792
At 28 March 2009	62,460	1,023	5,467	85	69,035

All land and buildings were revalued by AG&G Chartered Surveyors on 27 March 2010. The properties were valued as operational entities, taking into account their trading potential. The Directors have considered the fair value of the freehold properties and are comfortable, given both the quality of the estate and the quality of trading, that carrying values are not materially different from the market value.

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

If freehold and leasehold land and buildings had not been re-valued, they would have been included on the historical cost basis at the following amounts

	Freehold buildings £ 000	Leasehold land and buildings £ 000
Net book amount at 27 March 2010	46,485	1,819
Net book amount at 28 March 2009	47,420	1,023

5 INVESTMENT PROPERTIES

	Total £ 000
Cost or valuation	
At 29 March 2008	-
At 28 March 2009	-
Transfer from property, plant and equipment	2,253
At 27 March 2010	2,253
Depreciation	
At 29 March 2008	-
At 28 March 2009	-
Transfer from property, plant and equipment	62
Impairment of investment property	391
At 27 March 2010	453
Net book value:	
At 27 March 2010	1,800
At 28 March 2009	-
At 29 March 2008	-

Investments properties represent the value of the freehold pub The Peer which is let on a 15 year lease. Investment properties are held at cost less accumulated depreciation and impairment and an annual impairment review is carried out to ensure carrying value does not exceed the recoverable amount. The recoverable amount is calculated by reference to the London pub market, yields and the level of trade within the property. Recoverable amount is calculated by management.

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

On historical cost basis the net book value of the investment properties carried at valuation is £2,191,000, comprising cost of £2,253,000 and related depreciation of £62,000

6 INVESTMENTS

	Total £ 000
At 29 March 2008	-
At 28 March 2009	-
Additions	262
At 27 March 2010	<u>262</u>

The following information is given in respect of the Group's associate

	2010 £ 000	2009 £ 000
Revenues	200	-
Profit for the year	12	-
Total assets	2,402	-
Total liabilities	1,686	-

The Group acquired a 40% interest in Ensco 600 Limited, a company incorporated in England and Wales, on the 11 January 2010. The reporting date of Ensco 600 Limited is 31 December. The principle activity of Ensco 600 Limited is the ownership and operation of the freehold pub The Havelock Tavern.

7 DEBTORS: DUE WITHIN ONE YEAR

	2010 £ 000	2009 £ 000
Current		
Trade debtors	96	242
Prepayments and accrued income	134	113
Other debtors	256	119
	<u>486</u>	<u>474</u>

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

8 DEBTORS: DUE AFTER MORE THAN ONE YEAR

	2010 £ 000	2009 £ 000
Other debtors	79	43
	<u>79</u>	<u>43</u>

9 CREDITORS: FALLING DUE WITHIN ONE YEAR

	2010 £ 000	2009 £ 000
Bank loans and overdrafts	1,337	598
Trade payables	1,472	898
Corporation tax	707	186
Taxation and social security	756	612
Accruals	891	777
	<u>5,163</u>	<u>3,071</u>

10 CREDITORS: FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £ 000	2008 £ 000
Bank loans	<u>29,264</u>	<u>30,286</u>

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

11 BORROWINGS

The bank loan and overdraft are secured by a fixed charge over all of the Company's properties, and a debenture over the assets of the Company. The loan is repayable in instalments between 2010 and 2017 with a bullet payment in 2017. Bank borrowings are repayable as follows:

	2010 £ 000	2009 £ 000
Within one year		
Bank overdraft	-	-
Bank borrowings	1,337	598
After one and within two years		
Bank borrowings	1,420	1,280
After two and within five years		
Bank borrowings	4,810	4,395
After 5 years		
Bank borrowings	23,221	24,611
	<u>30,788</u>	<u>30,884</u>

12 DEFERRED TAX

	2010 £ 000	2009 £ 000
The deferred tax included in the balance sheet is as follows		
Included in provisions for liabilities and charges	(796)	(793)
Total recognised deferred tax asset liability	<u>(796)</u>	<u>(793)</u>
Accelerated capital allowances	(909)	(879)
Tax losses carried forward	71	71
Other temporary differences	42	15
Total recognised deferred tax liability	<u>(796)</u>	<u>(793)</u>
Deferred tax liability at the start of the year	(793)	(688)
Deferred tax charge in profit and loss account for the year	(3)	(105)
Deferred tax liability at the end of the year	<u>(796)</u>	<u>(793)</u>

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

13 SHARE CAPITAL

Please refer to the information on page 44 for the disclosure relating to share capital

14 SHARE OPTIONS

Please refer to the information on pages 46, 47 and 48 for the disclosure relating to share options

15 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £ 000	Revaluation reserve account £ 000	Investment in own shares £ 000	Share option value reserve account £ 000	Profit and loss account £ 000
At 28 March 2009	10,588	14,768	-	142	1,914
Shares issued in the year	59	-	-	-	-
Dividends paid	-	-	-	-	(1)
Investment in own shares	-	-	(422)	-	-
Cost of share-based payments	-	-	-	91	-
Profit for the year	-	-	-	-	(2,193)
Revaluation	-	668	-	-	-
At 27 March 2010	10,647	15,436	(422)	233	(280)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £ 000	2009 £ 000
(Loss)/profit for the year	(2,193)	663
Ordinary share capital issued	340	63
Ordinary share premium issued	59	40
Dividends paid	(1)	(413)
Cost of share-based payments	91	44
Revaluation	668	-
Investment in own shares	(422)	-
	(1,458)	397
Opening shareholders' funds	37,365	36,968
Closing shareholders' funds	35,907	37,365

17 CAPITAL COMMITMENTS

Please refer to the information on page 49 for the disclosure relating to capital commitments

THE CAPITAL PUB COMPANY PLC

Notes to the financial statements for the year ended 27 March 2010

18 COMMITMENTS UNDER OPERATING LEASES

The Group has entered into commercial property leases on certain leasehold properties, consisting of public houses. These non-cancellable leases have various remaining non-cancellable lease terms of up to 43 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. As at 27 March 2010, the Company had annual commitments as set out below. The figure below also includes satellite contracts non-cancellable within one year.

	2010 Other	2009 Other	2010 Land and buildings £ 000	2009 Land and buildings £ 000
Operating leases which expire				
Within one year	165	144	-	292
Two to five years	-	-	430	-
Over five years	-	-	405	206

19 DIVIDENDS

Please refer to the information on page 49 for the disclosure relating to dividends.

20 RELATED PARTY TRANSACTIONS

Please refer to the information on page 49 for the disclosure relating to related party transactions.

21 SUBSIDIARIES

The Group owns 100% of the issued share capital of Cerisco Limited, Food and Wine Traders Limited, Puzzle Pub Holdings Limited, Puzzle Sub Limited, Tartancastle Limited, Tayvin 360 Limited and Terisco Limited. All of these companies are registered in the United Kingdom and all of these subsidiaries are dormant.

22 POST BALANCE SHEET EVENTS

Please refer to the information on page 50 for the disclosure relating to post balance sheet events.

THE CAPITAL PUB COMPANY PLC

Company portfolio

The Alexandra

14 Clapham Common South Side, London SW4 7AA Tel 020 7627 5102

The Anglesea Arms

15 Selwood Terrace, London SW7 3QG Tel 020 7373 7960

The Belle Vue

1 Clapham Common South Side, London SW4 7AA Tel 020 7498 9473

The Bishop

27 Lordship Lane, London SE22 8EW Tel 020 8693 3994

The Boaters Inn

Canbury Gardens, Lower Ham Road, Kingston-upon-Thames KT2 5AU Tel 020 8541 4672

The Clarence

90-92 Balham High Road, London SW12 9AG Tel 020 8772 1155

The Durell Arms

704 Fulham Road, London SW6 5SB Tel 020 7736 3014

The Florence

131-133 Dulwich Road, London SE24 0NG Tel 020 7326 4987

The George

213 Strand, London WC2R 1AP Tel 020 7353 9638

The Golden Lion

25 King Street, London SW1Y 6QY Tel 020 7925 0007

The Havelock Tavern

57 Masbro Road, Brook Green, W14 0LS Tel 020 7603 5374

The Hemingford Arms

158 Hemingford Road, London N1 1DF Tel 020 7607 3303

The Hog in the Pound

28 South Molton Street, London W1K 5RF Tel 020 7493 7720

The Inn at Kew Gardens & Kew Gardens Hotel

292 Sandycroft Road, Kew TW9 3NG Tel 020 8940 2220

The King's Arms (formerly The Larrik)

425 New Kings Road, London SW6 4RN Tel 020 7371 9585

The Ladbroke Arms

54 Ladbroke Road, London W11 3NW Tel 020 7727 6646

The Marquis of Granby

142 Shaftesbury Avenue, London WC2H 8HJ Tel 020 7836 8609

THE CAPITAL PUB COMPANY PLC

Company portfolio

The Merchant

23-25 Battersea Rise, London SW11 1HG Tel 020 7228 7984

The Southern Belle

176 Fulham Palace Road, London W6 8QT Tel 020 7381 8682

The Square Pig

30-32 Procter Street, London WC1V 6NX Tel 020 7691 3144

The Teddington Arms

38-40 High Street, Teddington TW11 8EW Tel 020 8973 1510

The Uplands

90 Crystal Palace Road, Dulwich SE22 9EY Tel 020 8693 2662

The Victoria Inn

79 Choumert Road, Peckham, SE15 4AR Tel 020 7639 5052

The Wandle

332 Garrett Lane, London SW18 4EJ Tel 020 8874 4209

The Warwick Castle

6 Warwick Place, London W9 2PX Tel 020 7266 0921

The World's End

21-23 Stroud Green Road, London N4 3EF Tel 020 7281 8679

Ye Olde Monken Holt

193 High Street, Barnet EN5 5SU Tel 020 8449 4280