

THISTLE PUB COMPANY III PLC

C/o LT Management Services Limited
31 Haverscroft Industrial Estate, New Road, Attleborough Norfolk NR17 1YE
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9 September 2015

Dear Shareholder

I am writing to provide you with an update on your Company ahead of the next trading date on Asset Match. The next auction will close at 4 pm on 24 September 2015.

Trading in the individual units has continued at a level that is similar to the last financial year. The latest unaudited management accounts show that our turnover for the 47 weeks to 22 August was £4.93million against £4.95million for the same period in the previous financial year. We are some 4% behind the turnover budget that we set ourselves and there are two aspects to this:

- The change in drink driving rules in Scotland which have been cited by many operators as being a significant negative; and,
- The miserable summer in Scotland which has a distinct effect on our pubs which are in the main “destination” units.

I am convinced that without these two aspects we would have been nicely ahead of budget. Looking further down the accounts we have seen a small element of wage inflation, some increase in energy costs and we have spent some extra on repairs and maintenance. The latter is quite deliberate as part of the intention to find a viable exit for shareholders by June 2016. In that regard we have also started to invest capital to augment the value of the estate within the same time horizon. This has not happened quite as quickly as I would have liked as we had to spend time in the successful renegotiation of our loan facilities. That has now been completed on improved terms with The Royal Bank of Scotland plc.

The capital investment programme is now underway and I am expecting it to have concluded by the end of 2015 so that we can demonstrate its value in the early months of 2016.

We have also had to spend additional amounts on professional fees as a result of the fuss with Maclays. The administrator of Maclays has now sold that estate for what we understand to be a good value. Based on the information currently available to the Directors, we estimate that the Company should receive approximately 65 pence in the pound for its claim against Maclays once it is finally agreed. The claim submitted includes additional amounts incurred for professional fees and time as a consequence of the unauthorised removal of funds from our bank by a Maclay employee. Agreeing the extent of our claim (as well as the claims of all other ordinary creditors) is not a quick process. We understand that the Administrator of Maclays will not begin to adjudicate on ordinary creditors’ claims until late September 2015.

Until that claim is negotiated it is not possible to give clear guidance on the result for the current financial year. However the underlying point is that, setting aside any one-off costs, trading profits would be at close to the same level as last year had we not spent more on repairs to maintain or enhance the capital value of the estate.

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Looking forward I am expecting the margins we achieve to improve as the benefits of having the larger purchasing power of LT Management Services start to make an impact. By retaining LTMS as manager we have the benefit of some good savings against the cost of Maclay. However the Board wished to have a closer oversight of the detail of our affairs and so, as noted in the last Annual Report, the Board has now been strengthened by the appointment of Mr Donald McIntyre CA, an experienced finance Director, as a non-executive director.

I am pleased to note that we have had no changes in manager at the level of the individual pubs. We have a good team and we have included the managers in considering the business plan for their own pubs and their own people. We are now looking to introduce a more formal training regime than was previously in place.

We believe that market interest in licensed properties in Scotland has improved in 2015 and this has been demonstrated by the successful sale of the Maclay Estate. We have also noted that good interest has been shown in the estate of our sister company, Thistle Pub Company II plc.

At the last Annual General Meeting I noted that your Board is committed to finding a structure that will give shareholders the opportunity to exit by June 2016. In my statement, I pointed out that we wished to undertake some investment to improve the performance (and hence valuation) of our pubs and that we would explore structures that would allow shareholders who wished to sell a proper exit opportunity but at the same time would allow those who wish to retain their holding to do so.

This could be achieved, for example, by merging with a similar good quality company and taking the combination to AIM (the Alternative Investment Market) – your Company is not of a size to be able to do this on its own. We have explored this possibility with possible partners and will continue to do so in the coming months. What is more likely is that we will complete the capital programme, take a few months to demonstrate the value of that spend, and then follow the route taken by Thistle Pub Company II plc. That will involve selling the pubs and then returning the capital to shareholders following a members' voluntary liquidation.

As noted above, the next Asset Match Auction will take place on 24 September 2015. I will advise the shareholders before then if there should be any substantive change in our financial position or outlook.

Yours sincerely

Alan Stewart

Chairman