

Company Registration No. SC306747 (Scotland)

**Thistle Pub Company III plc**

**Annual report and financial statements  
for the year ended 3 October 2015**

## **Thistle Pub Company III plc**

### **Company information**

<b>Directors</b>	A G Stewart (Chairman) P F Theakston D C McIntyre (appointed 3 August 2015)
<b>Secretary</b>	HMS Secretaries Limited
<b>Company Number</b>	SC306747
<b>Registered office</b>	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HB
<b>Manager</b>	LT Management Services Limited (appointed 23/01/2015) 31 Haverscroft Industrial Estate New Road Attleborough Norfolk NR17 1YE
<b>Independent auditors</b>	RSM UK Audit LLP Centenary House 69 Wellington Street Glasgow G2 6HG
<b>Bankers</b>	Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
<b>Solicitors</b>	Kergan Stewart LLP 163 Bath Street Glasgow G2 4SQ  Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE

# Thistle Pub Company III plc

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# **Thistle Pub Company III plc**

Chairman's report  
For the year ended 3 October 2015

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## **Chairman's Letter**

**February 2016**

Dear Shareholder

I am happy to report that in the last six months the Company moved well beyond the turmoil arising from the administration of our previous management company producing a reasonable result for the year to 3 October 2015. We will ultimately recover, at least, two-thirds of the cost of the Maclay administration. A substantial proportion of this was received in December 2015 such that our cash resource is now in good order. We have invested in our estate and our people, although with much of this being in the latter half of 2015 its effect on the 2014/15 result was muted. However, it is having a healthy impact on trading in this current year and I can see further improvement to come. All of this has allowed us to declare a maiden dividend of 1.3pence per share. In addition, today, we announced our new trading ethos and the commissioning of various additional community facilities at particular units which, I believe, puts your company at the forefront of thinking on what community pubs can provide for customers.

I expand on all these matters in this report; in addition all shareholders should consider the future of this company. I have had various representations from those who are very keen that it continues and, as well as representations from some who would like to see the company sold or wound up. I explore the pros and cons of each at the end of this report and I very much look forward to your input as to what best suits your own circumstances.

## **Results**

Turnover increased by some 2% over 2013/14, which I regard as reasonable, in light of two factors being, firstly, the effect of the reduction in the drink driving limit in Scotland and, secondly, the change of our management company temporarily affecting our performance with new systems and new reporting lines leading to an element of staff uncertainty. In addition the summer weather in Scotland was miserable, which was not helpful to the trading at most of our pubs. In the period we were understandably cautious in terms of price increases, thereby protecting our core trade when cash was low. That, in conjunction with increased costs (primarily in power and staff), led to a reduction in the gross profit percentage for the year. We also delayed capital expenditure designed to improve trading whilst we restored our depleted cash reserves. We have now addressed our prices and are considering our margins again, as the investment programme comes on stream at particular units. To a large extent the effect of the above points on last year's results was balanced by a significant reduction in administration costs mainly due to lower management fees in the period. The overall result for the year was, of course, impacted by the amount we may not recover from Maclay Inns, which resulted in an exceptional cost of £82,267. We continue to pursue recovery of this amount from the Administrators who have indicated that a very reasonable proportion of this amount may be paid.

## **Thistle Pub Company III plc**

Chairman's report (continued)  
For the year ended 3 October 2015

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With regard to the conduct of the Maclay board and executives we worked in conjunction with Thistle Pub Co II plc, the Administrators of Maclay and various professionals to establish if there was a basis for legal redress. This work was overseen in large measure by Mr Stuart Ross (the former chief executive of Belhaven plc and a shareholder in Thistle Pub Co II) and Donald McIntyre (prior to his appointment to our board). Donald, at the instruction of Mr Ross, undertook detailed field work in this regard which was followed by face to face meetings with members of the Maclay executive. In addition, I sat on the Creditors' Committee of the Administration of Maclay Inns along with Mr Ross which gave insight of that particular process. My conclusion from all of this was that the Corporate Governance and control environment at Maclay was sadly lacking. However, no individual made any personal gain and, that, in conjunction with a substantial recovery thus far and further amounts to be paid, leaves little reward to pursue and very thin grounds for legal redress from either the Maclay Board or its executives. Our clear legal advice is that it is financially illogical to pursue recovery from the Maclay Board or its executives through the courts.

### **Dividends**

It has long been the Board's intention to pay a dividend. Shareholders will recall that I announced the intention back in early 2014 to become dividend paying. The uncertainty caused by the difficulty with Maclay meant that the Board deferred this pending clarification of the losses arising therefrom. I am pleased to say that the Board is announcing the payment of a maiden dividend amounting to 1.3 pence per share for the period ended 3 October 2015, payable on 15th March 2016 to shareholders on the register on 2nd March 2016. The Board intends to adopt a progressive dividend policy for any future years.

### **Balance sheet**

The main point to note in this year's balance sheet is that we concluded our negotiations with the Royal Bank of Scotland on 27 July 2015 and agreed a two year facility at 2.5% over base. The previous facility was priced at 3.25% over Libor. This is a relatively short period, taking cognisance of the possibility of the Company being sold or wound up. In addition, as I noted above, we received an initial cash distribution from the Administrators of Maclay Inns after the year end of £184,000, leaving our working capital in a good position going forward. This, in conjunction with ongoing trading, has given the Directors the confidence to declare a maiden dividend of 1.3pence per share.

Debtors show an increase from previous years reflecting the distributions that are expected from the Administrators of Maclay Inns.

### **Trading outlook and trading ethos**

The main feature in terms of trade was the Scottish Government's reduction in the safe drink driving limit in December 2014. In September 2015 the Chief Executive of the Scottish Licensed Trade Association noted this reduction as one of the factors leading to Scottish pubs closing at the rate of one per day in the preceding year. The effect on the trade has been considerable, with organisations such as golf clubs being particularly affected. He also noted that larger organisations such as Wetherspoons and supermarkets have a significant buying power. Looking forward there is also the need to consider the Introduction of the National Living Wage as well as auto-enrolment pensions.

## Thistle Pub Company III plc

Chairman's report (continued)  
For the year ended 3 October 2015

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It would all seem to paint a rather grim picture until one takes a closer look. At 31 March 2015 there were 11,537 licensed on-trade premises in Scotland and a further 5,096 licensed off-trade premises. I do not think that the Scots are going to die of thirst any time soon. Nor can it be logical to defend anything that impairs, in any way, the judgement of a driver of a one-ton automobile. Relaxing the drink driving rules from their current position is simply not going to happen.

By like token the continuing march of the larger operator will not be halted. Such organisations generally produce a very reasonable, if not good, offering at a particular price point. It is open to any operator to join a buying group to secure product at a better price point. I rather suspect that there is a simpler truth in that Scotland has plenty of pubs and operators need to give more thought to the needs of the communities that they serve. The needs of those communities constantly vary and will continue to do so be it as a result of legislative change or economic circumstance.

The consequence of this is that the community pub has to be invested in and its offer continually reviewed or it will wither in the face of change. This necessity is particularly difficult in rural locations, but then again the village pub needs to provide what sufficient customers need or it is very much at risk. However, the reverse of this is that those remaining pubs that do adapt can expect to garner further trade as competition falls away. We have very clear evidence of this at one of our pubs, the Wheel Inn at Scone where trading has been difficult. The combination of a change in the kitchen and the closure of the two competing local pubs has meant that it has taken 30% more in the first four months of this year against last year's equivalent. It has further improvement still to come.

It was in the contemplation of the Wheel Inn at Scone and its trading performance that we arrived at our new trading ethos. The advantages of that pub are that it has a very committed manager who had moved his family to the area. Scone is centrally located in Scotland being roughly equidistant from Aberdeen, Edinburgh and Glasgow and is much closer to Dundee and Stirling. It is the ancient capital of Scotland with many attractions in the area. The pub itself is large, with unused space, generally on one level, with a very large car park and garden area. Its immediate challenges are, firstly, that Perth is close by and is well served for hospitality and, secondly, Scone itself is not very large. We had retained advisers and examined a number of proposals for alternative use, but the shape of the site is less than ideal and in the then prevailing economic circumstance the prospects of a windfall property gain were slight.

Our starting hypothesis in thinking what might be done at Scone was the view that despite what it may think of itself the hospitality industry is, generally, not very good at catering to anyone with any form of disability. Such disability ranges from some skier temporarily on crutches and older relations with hearing impairment, right through too many who live in the community but who have profound difficulties. The question we asked ourselves was "What do we have to do to serve the widest community?". If the trend is to put more and more people back to their families what do those families need when they go out? We were fairly certain the answer was not just an accessible toilet where one squeezes between tightly packed tables to find it already filled with two high chairs and bits of cleaning equipment. And so we started to find out what more can be done to give a good experience for all of the family, for all of the community.

## **Thistle Pub Company III plc**

Chairman's report (continued)  
For the year ended 3 October 2015

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In this regard we received good guidance from Perth and Kinross Council, Deafblind Scotland, PAMIS and many others. PAMIS was established in 1992 to provide support for people with profound and multiple learning disabilities, their family and carers and interested professionals. What we found was that, excepting very specialist items, the cost of providing enhanced facilities is not high. It is the attention to detail that is the absolute key. With these lessons in mind we developed a revised plan for that pub and we went on to examine from the "ground up" how all of our units could improve its service to the wider community. As such, we commissioned audits for each unit from Deafblind Scotland. Inevitably not every unit lends itself to the full range of what is ideal. However, wherever feasible we are in the process of upgrading the units in line with an ethos of serving the widest community. We believe that our pubs will continue to be well supported, provided we also stick, absolutely, to the core task of providing quality food, with a great drinks offering and a friendly service. On that note of service, the management team at each unit has had specialist training from Deafblind Scotland so that they better appreciate the difficulties faced by some customers and their carers so that we in turn can serve better the widest community.

If you are interested in how we present this then please visit the web-site for the Wheel Inn (<http://wheelinnperth.co.uk/> ). You will note that we have installed there an adult changing area. An example of when that is useful is to consider a family with three children including a fifteen year old quadraplegic child. There are approximately 130 specialist facilities for changing such an individual in Scotland. Most are in Government buildings; there is one at IKEA in Edinburgh, and now the next is at the Wheel Inn, right in the heart of Scotland. We do expect this to make this pub a destination unit for those families for which going out for the day is a greater challenge. In addition to that, we have installed a sensory room facility. We present this as a facility for the community and there is a need in that local area for such spaces. Again we see this as having the capacity to drive extra business to the pub at all times of day. In fact, we expect these two innovative facilities to be at their busiest at our quietest times as those who might benefit most are those individuals with conditions that are likely to be unsettled by being in very busy, loud environments.

Our new trading ethos was launched on 25 February and we received good coverage on radio and television and in the local and national press in Scotland. One objective I set last year was to have the Company establish its own identity. I believe that with our new trading ethos, our investment programme and our staff training that we have started very well in fulfilling that AIM.

I am very optimistic about the potential for better return from all of our units in the coming months. We have reviewed each unit and are part way through the possible actions. The steps we have taken are already giving us better performance with turnover up at 107% for the year to date, and my expectation is that the attention we have given our trading ethos will bring further reward, not just in financial terms, but in how all of our people view their company.

### **Staff and Directors**

We have good management teams at each of our pubs and it is key that we help the managers develop their own people. We have established an appropriate training and appraisal regime during the year. I was particularly pleased to note the enthusiasm with which the specialist training referred to above was received. The Directors have been closely involved in many aspects of the business.

## **Thistle Pub Company III plc**

Chairman's report (continued)  
For the year ended 3 October 2015

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For example, Mr Theakston has been helping directly with the operation of our micro-brewery at the Clockwork Brewery at Hampden; this required much greater analysis of costs than was undertaken hitherto. We intend to start supplying more of our own units with our own produce in the coming months now that there is a clearer appreciation of what makes us the best returns. There have been no changes of manager and few significant changes in the teams below them since the last AGM. This stability has been most helpful at a time of change particularly as staff turnover in the hospitality industry tends to be high. I noted at the AGM that I wanted this company to create its own identity apart from the management company; I saw that very much in terms of creating value in terms of possible sale. I did not see then that it would have a very strong effect on the loyalty of staff and their performance.

We have more that we can do across all who work for us, from kitchen porters upwards, with further initiatives that will strengthen our place in the widest community, strengthen our own team's esprit de corps, enhance performance and create value. Such plans are longer term and thus depend on the shareholders desire to see the company continue. But if carried out they will further strengthen our objective of being at the forefront of thinking about what a community pub can do.

On 3 August 2015 Donald McIntyre joined the Board as a Director. Whilst I flagged this possibility at the last AGM, it did not happen for some months as it was important that he concluded his investigations of Maclay, whilst independent of all ties. Once concluded we were very pleased to welcome a financially experienced individual to the Board. His involvement has been key, not least, in both the re-banking and in a closer scrutiny of our own affairs. This has been a very good appointment for this company.

I comment on my position as Chairman towards the end of this statement.

### **Future Strategy**

I set out below a summary of issues that the Board considered in arriving at a recommendation for the future strategy for the Company.

Shareholders will be aware the Company has been in existence for over nine years since its establishment under the Enterprise Investment Scheme (EIS) in late 2006.

Original shareholders will have benefitted from the income tax incentives available under The continuing benefits include the deferral of previous gains and, of course, the investment lies outside the Inheritance Tax net.

There are a few shareholders who have inherited their share interest and others whose circumstances have changed. To them the EIS benefits of CGT deferral and Inheritance Tax advantage are of no relevance whatsoever. It is a simple matter of the investment performing and the marketability of the shares. This group of shareholders would, if the Company continues, get larger as time passes.

A final point with regard to EIS is that the rules were changed in the 2015 budget that make it more challenging to set up an EIS qualifying Pub Company. The rules are designed to prevent the acquisition by EIS companies of established businesses (such as pubs). Consequently the Board expects there will be few EIS pub issues going forward.



## Thistle Pub Company III plc

Chairman's report (continued)  
For the year ended 3 October 2015

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The Board has previously sought to facilitate an exit for Shareholders by instituting a formal sale process, in early 2013, which did not generate sufficient interest from prospective purchase at an appropriate valuation. Some potential purchasers regarded the Company as being a “forced seller” and for others the overall economic outlook in Scotland was challenging.

Additionally, in 2014 we introduced a matched bargain facility on the Asset Match platform to facilitate the trading of the Company’s shares. The level of trading on this has been low. One reason for that is that potential purchasers were not attracted by the uncertainties engendered by the Maclay debacle. Those uncertainties have now been addressed and largely remedied. We are now much better placed to market the Company to potential purchasers on Asset Match and we will be doing this before the next Asset Match auction in April.

The Board has held (and indeed continues to hold) discussions with potential partners that might lead to the Company expanding in size such that it would become a viable AIM candidate. At this time we have entered a Memorandum of Understanding with a credible counter party who wishes to acquire a reasonable stake in the Company and, at the same time, introduce suitable pubs to be purchased. That party is keen to see the Company then go to The Alternative Investment Market after that.

The Company is now in a position where it is profitable and cash generating and expects to remain so. It is now dividend paying. It has an enviable long term debt ratio of under 20% and it continues to reduce that debt with regular payments. Your Board is committed to a capital investment programme, which is underway, the benefits of which are being seen in 2016 and will continue to accrue. The Company has adopted a trading ethos that is corporately and socially responsible through which it expects to prosper both in the short and longer term.

In sector terms the Directors noted the following from Christie and Co’s Business Outlook 2016:

*One of the last sizeable managed house portfolios ....was sold ..in October 2015 and further diminishes the availability of managed house stock in the market. Demand for these types of assets will continue in 2016, ultimately leading to a further increase in values and a shift in interest ...towards the acquisition of single sites or smaller multiple operators who have significantly increased in numbers over the past five years. As there are now fewer managed house portfolios the new influx of buyers to the market have a smaller pond to fish in which will also push up prices.*

*This shift in the market provides a real opportunity for small multiple operators, of which there are about 300 in the UK, to take advantage and command higher multiples for their businesses. In 2016 we predict sub £20m pub group deals or mergers and acquisitions by multisite owners who see an overall objective in exiting at a future date, attracting competition from existing managed house Pubcos and investors to drive up price.*

### Our options

Your Board has reviewed the options currently available to it. We believe there are two main options, namely:

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## Thistle Pub Company III plc

Chairman's report (continued)  
For the year ended 3 October 2015

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1. Continue the current trading ethos at safe gearing levels; maintain the dealing facility for shareholders (with more proactive marketing to new possible shareholders) and continue a progressive dividend policy to allow shareholders a regular return on their investment; continue to seek to acquire other small pub group(s) – or to merge with such businesses – in order to grow the business, with an eye to a possible AIM flotation to follow in due course.
2. Seek to sell the business (or assets) to a third party buyer and to liquidate the Company on an orderly basis. In this regard, it would be preferable to complete the capital programme, take a few months more to demonstrate the value of that investment, and then follow the route taken by Thistle Pub Company II plc. That would involve selling the pubs and then returning the capital to shareholders following a members' voluntary liquidation.

The Directors believe that Option 1 is by far the better option for the great majority of shareholders but are very keen to hear from all shareholders on what best suits their own circumstances best.

### Chairman

I made the following comment in my statement at last year's AGM:

*"Your Board is committed to finding a structure which will give shareholders the opportunity to exit by June 2016. If we have an AGM next year then, in the absence of change or ongoing change of status, I will put myself up for re-election so that shareholders can exercise their franchise, in the circumstances that then prevail, as they see fit."*

As we are in preliminary discussions with one credible counter party regarding the development of the Company and we are actively marketing the Company to other possible investors who may acquire existing shares through Asset Match or by new subscription it would be, at the very least, disruptive, if I were to resign.

### Shareholders' approval of share capital authorities

As mentioned above, your Board is reviewing a number of potential opportunities to acquire individual pubs or groups owning a handful of pubs. It is possible that, if they progress further, such acquisitions may be made using the Company's shares as consideration or for cash (in which case the Company may need to raise new equity capital). Whilst it is too early to say whether these will proceed, in order to provide your Board with funding flexibility, we are seeking shareholders' approval at the Annual General Meeting ("AGM") of the authority to allot up to £750,000 of new shares (representing 20% of the issued share capital) and to dis-apply pre-emption rights in respect of any such allotment. These are set out in Resolutions 5 and 6 at the AGM.

I look forward to hearing shareholders' views and welcoming you to our AGM on 29 March 2016.

Yours sincerely

Alan Stewart  
Chairman

Date: 29 February 2016

# Thistle Pub Company III plc

Strategic report

For the year ended 3 October 2015

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The Directors present their strategic report for the year ended 3 October 2015.

## Review of the business

Total turnover is £5,650,274 (2014: £5,540,254). Operating profit after the cost of Manager services is £387,045 (2014: £408,871) which is a decrease of 5% comparable to the prior year. Profits before tax of £222,529 (2014: £319,157) are reported for the year after interest charges.

Net assets have increased in the year to £8,638,879 (2014: £8,474,281) and the Directors consider this to be a satisfactory performance in difficult market conditions. The Company has net debt of £1,637,129 (2014: £1,916,067).

## Principal risks and uncertainties

The following risks and associated mitigation processes represent the key risks and uncertainties which affect the Company and how the directors address these. They are not intended to be an exhaustive analysis of all the risks facing the business.

### 1. Economic risks

#### Risks:

The Company's business operations are sensitive to economic conditions and in particular to levels of consumer spending. Any delay in economic recovery could affect consumer expenditure and therefore our revenue. There is an ongoing risk to our business of increases in the cost of key products, including food, drink, Sky broadcasting service and utilities. Property values are also impacted by the economic uncertainty.

#### Mitigation processes:

The Board and the Manager regularly review the impact of the economic conditions on the Company's budget and strategic plans, to ensure that we maintain our competitive position in the market. By prioritising excellent quality, service, value for money and up-to-date product offers, we aim to broaden our appeal to customers. We try to foster mutually beneficial and long-term relationships with our suppliers whilst at the same time driving down costs in all areas. We have successfully negotiated various contracts to avoid significant increases in costs and employ a number of other techniques to protect us from price volatility.

We continue to regularly assess the long term value of each of our sites and make decisions on a site by site basis around further improvements, operational focus for poorer performing sites and appropriate impairments where necessary. We have tried to diversify the business in respect of customer groups and geographical location in order to minimise the impacts of the recession in any one specific area.

## Thistle Pub Company III plc

Strategic report (continued)  
For the year ended 3 October 2015

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### 2. Regulatory risks

**Risks:**

The last few years have seen an increased governmental focus on alcohol consumption, in regard to both its impact on the health of drinkers and law and order issues. There is a risk of further legislation in these areas, including additional taxation, which may adversely impact our business.

A failure to comply with health and safety legislation, including in relation to food safety or fire safety, could lead to an incident which causes serious illness, injury or even loss of life to one of our customers, employees or other stakeholder, in turn leading to a significant impact on our reputation.

**Mitigation processes:**

Our strategy continues to address the need to diversify our business, with increasing emphasis on food within our pubs.

We are committed to acting as a responsible retailer and are actively engaging with government to ensure that it recognises our belief that the safest and most responsible place to consume alcohol is in well- managed licensed on-trade premises.

We have a range of policies and procedures in place, including training, improved reporting and regular monitoring, to ensure compliance with existing regulatory requirements, including in relation to health and safety, fire safety and food safety. We work closely with licensing authorities across the country to ensure licensing requirements are dealt with whenever appropriate.

### 3. Supply chain risks

**Risks:**

On the Board's behalf, our Manager works with a number of key suppliers (particularly in relation to food, beer, wines and spirits) and third party distributors to supply our pubs. There is therefore a risk of interruption of supply and of failure of such key suppliers or distributors.

**Mitigation processes:**

Our Manager is expected to work closely with our third-party suppliers, producers and supply chain partners to ensure that our relationships with them are positive and constructive at all times. Our Manager regularly reviews the financial position of our major suppliers to assess the risk of them ceasing to be able to trade. It is our opinion that due to the non-specialist nature of our products our Manager would be able to source alternative supply arrangements should one of our suppliers cease to trade.

## Thistle Pub Company III plc

Strategic report (continued)  
For the year ended 3 October 2015

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### 4. Financial risks

**Risks:**

It is vital to the business that we continue to meet our financial covenants and to ensure that there is sufficient short term financing to meet our business needs. We are exposed to interest rate risk on the variable rate components of our financing. We are also reliant on maintaining sound systems of internal control and on our information systems and technology to ensure the smooth operation of our business without risk of fraud or material error.

**Mitigation processes:**

Our Manager is expected to constantly monitor our performance against our financial covenants and undertakes detailed stress-testing of our performance against those covenants on a regular basis. Working capital is closely managed and carefully forecast.

In light of the circumstances described in the Chairman's Report, the Directors decided to change Manager to LT Management Services Limited on 23 January 2015.

Going forward the Board will ensure that regular reviews and testing of the financial reports produced by the Manager are conducted to monitor the competency and integrity of the Manager.

### 5. People risks

**Risks:**

We recognise the importance of attracting, retaining, developing and motivating the best people to help take our business forward and to ensure that we can deliver our operational and strategic objectives. Failure to attract these individuals could impact our ability to achieve our operational and strategic objectives.

**Mitigation processes:**

Our Manager is tasked with aiming to recruit the best people with the right skills and offer training and development programmes to ensure that we retain them. Staff turnover trends are reviewed and benchmarked to highlight any potential issues.

## Thistle Pub Company III plc

Strategic report (continued)  
For the year ended 3 October 2015

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### Key performance indicators (KPIs)

In order to maintain a full understanding of the development, performance and position of the business a full review of KPIs is carried out within internal monthly management accounts.

The Company considers its key performance indicators to be:

1. Sales – sales were in line with last year.
2. Gross margin – this has decreased slightly to 67.62% (2014 – 67.79%)
3. Gross profit – this has reduced by 22.9% reflecting the decrease in gross margin and increased labour and energy costs.
4. Profit before tax and exceptional items – this has decreased by 4.5% reflecting the decrease in gross profit, partially offset by the saving in administrative expenses.

On behalf of the board

A G Stewart  
Director

29 February 2016

## **Thistle Pub Company III plc**

Directors' report

For the year ended 3 October 2015

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The Directors present their report and financial statements for the year ended 3 October 2015.

### **Principal activities and review of the business**

Thistle Pub Company III plc ("the Company") owns public houses across Scotland, which was operated under contract from 23 January 2015 by LT Management Services Limited. Prior to this date the manager was Maclays Inns Limited.

### **Results and dividends**

The results for the year are set out on page 16.

The trading results for the year are considered to be satisfactory by the Directors and the financial position remains reasonably robust at the year end. The Directors expect continued growth in the foreseeable future, and they will review the payment of a dividend when the Company's cash reserves permit.

### **Future developments**

The markets in which the Company operates remain competitive and fast changing. Notwithstanding the irregularities, the Company will continue to invest in refurbishing its units as the directors regard it as integral to the future success of the Company that it provides facilities and services which meet customers' expectations.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A G Stewart

P F Theakston

D C McIntyre (appointed 3 August 2015)

### **Auditors**

During the year, RSM UK Audit LLP was appointed as auditor. RSM UK Audit LLP has expressed their willingness to remain in office as auditors of the Company.

## **Thistle Pub Company III plc**

Directors' report (continued)  
For the year ended 3 October 2015

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### **Statement of directors' responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditors**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

A G Stewart  
Director

Date: 29 February 2016



## Thistle Pub Company III plc

Independent auditors' report  
To the members of Thistle Pub Company III plc

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We have audited the financial statements on pages 15 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's 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.

### **Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 October 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

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

Alan Aitchison (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 29 February 2016

## Thistle Pub Company III plc

Profit and loss account

For the year ended 3 October 2015

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		2015	2014
	Notes	£	£
<b>Turnover</b>	2	5,650,274	5,540,254
<b>Cost of sales</b>		<u>(5,086,493)</u>	<u>(4,809,237)</u>
<b>Gross profit</b>		563,781	731,017
Administrative expenses		<u>(176,736)</u>	<u>(322,146)</u>
<b>Operating profit</b>	3	387,045	408,871
Other interest receivable and similar income	4	330	167
Interest payable and similar charges	5	(82,579)	(89,881)
Exceptional items	6	<u>(82,267)</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		222,529	319,157
Tax on profit on ordinary activities	7	<u>(57,931)</u>	<u>(64,926)</u>
<b>Profit for the year</b>	15	<u>164,598</u>	<u>254,231</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 19 to 29 form part of these financial statements.

## Thistle Pub Company III plc

Statement of total recognised gains and losses  
For the year ended 3 October 2015

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	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Profit for the financial year</b>	164,598	254,231
Prior year adjustment	<u>-</u>	<u>(54,911)</u>
<b>Total gains and losses recognised since last financial statements</b>	<u>164,598</u>	<u>199,320</u>

## Thistle Pub Company III plc

Balance sheet  
As at 3 October 2015

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		2015		2014	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		10,809,711		10,921,866
<b>Current assets</b>					
Stocks	9	84,066		87,893	
Debtors	10	375,646		195,183	
Cash at bank and in hand		<u>543,083</u>		<u>400,563</u>	
		1,002,795		683,639	
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,039,949)</u>		<u>(3,001,172)</u>	
<b>Net current liabilities</b>			<u>(37,154)</u>		<u>(2,317,533)</u>
<b>Total assets less current liabilities</b>			10,772,557		8,604,333
<b>Creditors: amounts falling due after more than one year</b>	12		(2,000,212)		-
<b>Provisions for liabilities and charges</b>	13		<u>(133,466)</u>		<u>(130,052)</u>
			<u>8,638,879</u>		<u>8,474,281</u>
<b>Capital and reserves</b>					
Called up share capital	14		3,750,000		3,750,000
Share premium account	15		3,191,825		3,191,825
Profit and loss account	15		<u>1,697,054</u>		<u>1,532,456</u>
<b>Shareholders' funds</b>	16		<u>8,638,879</u>		<u>8,474,281</u>

The notes on pages 19 to 29 form part of these financial statements.

The financial statements were approved by the Board on 29 February 2016.

A G Stewart  
Director

P F Theakston  
Director

## Thistle Pub Company III plc

### Cash flow statement

For the year ended 3 October 2015

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		2015		2014	
	Notes	£	£	£	£
<b>Net cash inflow from operating activities</b>	20		514,280		761,193
<b>Returns on investments and servicing of finance</b>					
Interest received		330		167	
Interest paid		<u>(82,579)</u>		<u>(89,881)</u>	
Net cash outflow for returns on investments and servicing of finance			(82,249)		(89,714)
<b>Taxation</b>			(34,668)		(72,128)
<b>Capital expenditure</b>					
Payments to acquire tangible assets		<u>(118,425)</u>		<u>(361,089)</u>	
<b>Net cash outflow for capital expenditure</b>			<u>(118,425)</u>		<u>(361,089)</u>
<b>Net cash inflow before management of liquid resources and financing</b>			278,938		238,262
<b>Financing</b>					
Repayment of long term bank loan		<u>(136,418)</u>		<u>(149,125)</u>	
<b>Net cash outflow from financing</b>			<u>(136,418)</u>		<u>(149,125)</u>
<b>Increase/(decrease) in cash in the year</b>	21, 22		<u>142,520</u>		<u>89,137</u>

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# Thistle Pub Company III plc

Notes to the financial statements  
For the year ended 3 October 2015

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## 1 Accounting policies

### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The Company finances its working capital needs from cash resources and also utilises term loan facilities provided by Royal Bank of Scotland plc. The balance sheet reports net current liabilities at the balance sheet date. The Directors have prepared projected cash flow and budget information for the period ending 12 months from the date of approval of these financial statements. On the basis of this cash flow information the Directors consider the Company will continue to generate surplus cash sufficient to cover debt and interest repayments. The Directors consider it appropriate to prepare the financial statements on the going concern basis.

### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

### 1.3 Turnover

Turnover represents amounts receivable from the sale of goods within the Company's public houses. It is accounted for on an accruals basis.

### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation, other than heritable land, which is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Heritable property	2% straight line
Fixtures, fittings and equipment	25% reducing balance

Heritable property is depreciated to their estimated residual values over 50 years. Residual value is reviewed each financial year and there is no depreciable amount if residual value is the same as, or exceeds, book value.

# Thistle Pub Company III plc

Notes to the financial statements (continued)

For the year ended 3 October 2015

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## 1 Accounting policies (*continued*)

### 1.5 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

### 1.6 Stock

Stock is valued at the lower of cost and net realisable value.

### 1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred taxation is not recognised on timing differences arising when properties are revalued, unless, by the balance sheet date, the company has entered into a binding agreement to sell the revalued assets and recognised the gains or losses expected to arise on the sale.

A deferred tax asset is recognised when it is more than likely that an inflow of economic benefits will take place, and that a reliable estimate can be made as to the amount of the benefit.

## 2 Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

## 3 Operating profit

	2015	2014
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	<u>230,580</u>	<u>195,321</u>

### Auditors' remuneration

Fees payable to the Company's auditor for the audit of the company's annual accounts	8,000	7,500
Taxation and other services	<u>3,150</u>	<u>3,000</u>
	<u>11,150</u>	<u>10,500</u>

## Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 3 October 2015

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<b>4 Investment income</b>	<b>2015</b>	<b>2014</b>
	£	£
Bank interest	<u>330</u>	<u>167</u>
<b>5 Interest payable</b>	<b>2015</b>	<b>2014</b>
	£	£
On bank loans and overdrafts	<u>82,579</u>	<u>89,881</u>
<b>6 Exceptional items</b>	<b>2015</b>	<b>2014</b>
	£	£
Overall net cost of bad debt and investigation and recovery costs	<u>82,267</u>	<u>-</u>



## Thistle Pub Company III plc

Notes to the financial statements (continued)

For the year ended 3 October 2015

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7 Taxation	2015 £	2014 £
<b>Domestic current year tax</b>		
U.K. corporation tax	61,063	65,231
Adjustment for prior years	<u>(6,546)</u>	<u>(13,190)</u>
Total current tax	<u>54,517</u>	<u>52,041</u>
<b>Deferred tax</b>		
Deferred tax charge - current year	(2,723)	12,868
Adjustment for prior years	<u>6,137</u>	<u>17</u>
	<u>3,414</u>	<u>12,885</u>
	<u>57,931</u>	<u>64,926</u>
<b>Factors affecting the tax charge for the period</b>		
<b>Profit on ordinary activities before taxation</b>	<u>222,529</u>	<u>319,157</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2014 – 22.01%)	<u>44,506</u>	<u>70,246</u>
Effects of:		
Non-deductible expenses	1,850	5,609
Fixed asset differences	19,171	(1,403)
Marginal relief	-	(5,896)
Adjustments to previous periods	(6,546)	(13,190)
Deferred revenue expenditure	-	(4,879)
Other tax adjustments	<u>(4,464)</u>	<u>1,554</u>
	<u>(10,011)</u>	<u>(18,205)</u>
Current tax charge for the period	<u>54,517</u>	<u>52,041</u>

## Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 3 October 2015

### 8 Tangible fixed assets

	Heritable Property £	Fixtures, Fittings and Equipment £	Total £
<b>Cost</b>			
At 28 September 2014	10,330,000	1,872,834	12,202,834
Additions	<u>99,773</u>	<u>18,652</u>	<u>118,425</u>
At 3 October 2015	<u>10,429,773</u>	<u>1,891,486</u>	<u>12,321,259</u>
<b>Depreciation</b>			
At 28 September 2014	189,867	1,091,101	1,280,968
Charge for the year	<u>37,566</u>	<u>193,014</u>	<u>230,580</u>
At 3 October 2015	<u>227,433</u>	<u>1,284,115</u>	<u>1,511,548</u>
<b>Net book value</b>			
At 3 October 2015	<u>10,202,340</u>	<u>607,371</u>	<u>10,809,711</u>
At 27 September 2014	<u>10,140,133</u>	<u>781,733</u>	<u>10,921,866</u>

The Directors are of the opinion that, based on their trading potential, the value in use of each public house's land and buildings is greater than or equal to the carrying amount in the balance sheet, and accordingly in their opinion no impairment exists at 3 October 2015.

<b>9 Stocks</b>	<b>2015</b>	<b>2014</b>
	£	£
Finished goods and goods for resale	<u>84,066</u>	<u>87,893</u>
<b>10 Debtors</b>	<b>2015</b>	<b>2014</b>
	£	£
Trade debtors	270	2,745
Amounts owed by related undertakings	-	36,423
Other debtors	<u>375,376</u>	<u>156,015</u>
	<u>375,646</u>	<u>195,183</u>

## Thistle Pub Company III plc

Notes to the financial statements (continued)

For the year ended 3 October 2015

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<b>11 Creditors: amounts falling due within one year</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (note 12)	180,000	2,316,630
Trade creditors	510,100	481,127
Corporation tax	44,058	52,041
Other taxes and social security costs	182,625	66,582
Other creditors	4,274	-
Accruals and deferred income	<u>118,892</u>	<u>84,792</u>
	<u>1,039,949</u>	<u>3,001,172</u>
<b>12 Creditors: amounts falling due after more than one year</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Bank loans	<u>2,180,212</u>	<u>2,316,630</u>
Analysis of loans		
Wholly repayable within five years	2,180,212	2,316,630
	2,180,212	2,316,630
Included in current liabilities	<u>(180,000)</u>	<u>(2,316,630)</u>
	<u>2,000,212</u>	<u>-</u>
Loan maturity analysis		
In more than one year but not more than two years	<u>2,000,212</u>	<u>-</u>

The bank loans are secured by a standard security over the Company's property assets and a bond and floating charge over the Company's assets in favour of the Royal Bank of Scotland plc. On 27 July 2015, the Company renegotiated the loan agreement with The Royal Bank of Scotland plc. The loan of £2.2m is repayable by quarterly instalments, with the final instalment due on 27 July 2017. Interest is charged at 2.5% per annum over Base Rate.

## Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 3 October 2015

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### 13 Provisions for liabilities

	<b>Deferred tax liability</b> £
Balance at 28 September 2014	130,052
Profit and loss account	<u>3,414</u>
Balance at 3 October 2015	<u>133,466</u>

The deferred tax liability is made up as follows:

	<b>2015</b> £	<b>2014</b> £
Accelerated capital allowances	133,466	134,681
Other timing differences	<u>-</u>	<u>(4,629)</u>
	<u>133,466</u>	<u>130,052</u>

### 14 Share capital

	<b>2015</b> £	<b>2014</b> £
Allotted, called up and fully paid 7,500,000 Ordinary shares of 50p each	<u>3,750,000</u>	<u>3,750,000</u>

## Thistle Pub Company III plc

Notes to the financial statements (continued)

For the year ended 3 October 2015

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### 15 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 28 September 2014	3,191,825	1,532,456
Profit for the year	<u>-</u>	<u>164,598</u>
Balance at 3 October 2015	<u>3,191,825</u>	<u>1,697,054</u>

### 16 Reconciliation of movements in shareholders' funds

	2015 £	2014 £
Profit for the financial year	164,598	254,231
Opening shareholders' funds	<u>8,474,281</u>	<u>8,220,050</u>
Closing shareholders' funds	<u>8,638,879</u>	<u>8,474,281</u>

### 17 Directors' remuneration

	2015 £	2014 £
Remuneration for qualifying services	<u>58,220</u>	<u>38,411</u>

## Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 3 October 2015

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### 18 Employees

Number of employees

The average monthly number of employees (including directors)  
during the year was:

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
	2	2
<b>Employment costs</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<u>58,200</u>	<u>38,411</u>

### 19 Control

The Directors are not aware of the existence of an ultimate controlling party.

## Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 3 October 2015

### 20 Reconciliation of operating profit to net cash inflow from operating activities

	2015 £	2014 £
Operating profit	387,045	408,871
Exceptional items	(82,267)	-
Depreciation of tangible assets	230,580	195,321
Decrease in stocks	3,827	10,557
Increase in debtors	(208,295)	(27,832)
Increase in creditors within one year	<u>183,390</u>	<u>174,276</u>
Net cash inflow from operating activities	<u>514,280</u>	<u>761,193</u>

### 21 Analysis of net debt

	28 September 2014 £	Cash flow £	3 October 2015 £
Net cash:			
Cash at bank and in hand	<u>400,563</u>	<u>142,520</u>	<u>543,083</u>
Debt:			
Debts falling due within one year	(2,316,630)	2,136,630	(180,000)
Debts falling due after one year	<u>-</u>	<u>(2,000,212)</u>	<u>(2,000,212)</u>
Net debt	<u>(1,916,067)</u>	<u>278,938</u>	<u>(1,637,129)</u>

### 22 Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Increase in cash in the year	142,520	89,137
Cash outflow from decrease in debt	<u>136,418</u>	<u>149,125</u>
Movement in net debt in the year	278,938	238,262
Opening net debt	<u>(1,916,067)</u>	<u>(2,154,329)</u>
Closing net debt	<u>(1,637,129)</u>	<u>(1,916,067)</u>

## Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 3 October 2015

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### 23 Related party transactions

Transactions entered into with related parties can be summarised as follows:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Maclay Inns Limited:		
Recharge of payroll costs	564,483	1,703,681
Provision of management services	-	210,483

The balances due from related parties at the year end were as follows:

Maclay Inns Limited	236,117	36,423
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On 23 January 2015 the management contract with Maclay Inns Limited was terminated.