

**Company Registration No. SC306747 (Scotland)**

**Thistle Pub Company III plc**

**Annual report and financial statements  
for the year ended 27 September 2014**

## Thistle Pub Company III plc

### Company information

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<b>Directors</b>	A G Stewart (Chairman) P F Theakston
<b>Secretary</b>	HMS Secretaries Limited
<b>Company number</b>	SC306747
<b>Registered office</b>	Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA
<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>	Saffery Champness Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA
<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 8 Melville Street Edinburgh EH3 7NS

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## Thistle Pub Company III plc

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## **Thistle Pub Company III plc**

### **Chairman's report**

**For the year ended 27 September 2014**

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It has been an interesting time for the Company. After what was a reasonable year of trading with some focused capital expenditure which is already giving a good return, it finished with the challenge of our Manager going into administration in January. As I wrote in my letter of 26 January, we replaced Maclay Inns Limited ("Maclays") with LT Management Services Limited ("LTMS") who have made a good start in looking after our pubs.

At this stage we are still pursuing ways to mitigate the financial impact of the unauthorised transfers of our funds and we have made good initial progress. There are a number of actions at various stages and as some of these involve possible legal redress it is impossible for me to be more specific at this time. In the statement below I deal with the results for the financial year, then the immediate outlook and finally our strategy in light of that. Our intention going forward is to create a valid exit for Shareholders by the end of June 2016 and I have given up certain other interests to ensure that this is done.

#### **Results**

The Directors first became aware that there was an issue with accounting irregularities in early November last year. What initially appeared to be some isolated accounting inaccuracies were raised with Maclay and this led to a full investigation by both Ernst & Young (on behalf of Maclay's bankers) and Saffery Champness. It became clear that, as well as the unauthorised transfers of funds, there were also some accounting errors resulting in the misallocation of expenses both in the year to September 2014 and, to a lesser extent, in the financial year to September 2013. After eight years without any accounting problems we were presented with what was, in short, a bugger's muddle.

We have taken the opportunity of correcting these errors in the accounts to 27 September 2014 and have made a smaller adjustment to the 2013 accounts to provide a clearer trading picture and year on year comparison.

Shareholders should note that the unauthorised withdrawal of funds fell into the current year and any cost arising from that, under accounting conventions, will be recognised in the 2014/15 accounts.

Turnover for the year at £5.54m showed little difference from the previous year (£5.56m). This was a reasonable performance as we closed two pubs, including one of our larger units, for extended periods for significant refits. I am pleased to report that subsequent trading at these two units since then has justified that expenditure. In detailed terms, all of the pubs performed satisfactorily against budget and against the previous year.

However as a consequence of these closures, gross profits fell by £57,029 to £731,017, a reduction of 7%. At the same time as a result of the renegotiated management contract our administrative expenses were reduced by £127,413.

The profit after tax for the year is £254,231, against £167,764 for the previous year.

**Post year end events**

As the Directors became aware of the accounting irregularities, it was evident that to immediately terminate the management contract and sue for redress was likely to result in the insolvency of Maclay, with little chance of any payout to ordinary creditors. We therefore chose to work with the various stakeholders to find a long term solution that had a reasonable prospect of recovery of the sums due to your Company.

At the same time we took steps to be able to replace Maclay as manager at short notice. We also retained the services of Donald McIntyre CA, an experienced Finance Director; this was initially on a consultancy basis to oversee particular aspects of our affairs and carry out forensic work on our behalf. It is the intention to propose his appointment as a Non Executive Director following the AGM. Finally we had to secure immediate lines of credit at extremely short notice. The Company is grateful for the sensible support provided by Royal Bank of Scotland. Not surprisingly, the Company has incurred an element of increased professional costs throughout this time.

Despite the work put in, certain of Maclay's creditors decided that they could not support the continuance of the Maclay Group and it went into Administration on 23 January 2015.

As I noted above we are still considering a number of possible actions to recover the funds due to the Company. This is an area where we have to look carefully at the balance between the prospects of recovery and the costs we would incur. This assessment is ongoing and I will report to Shareholders as it progresses.

Surprisingly there have been benefits. We did not pay any management fees in the first four months of the current financial year, which gave a saving of approximately £60,000.

We were already monitoring the performance of LTMS at our sister company Thistle Pub Company II plc with a view to possibly changing; in the event we have changed manager to LTMS without having to serve notice on Maclays and pay any break fee. I anticipate that the net effect on the current year's result will be substantially less than the amount that was originally indicated in my letter to Shareholders.

The performance at the individual pubs in the year to date has been broadly in line with last year. We have been affected by the Scottish Government's reduction in the drink driving limits; the main effect of this has been on mid-week trade. Other operators have also noted this to be a factor in recent trading.

We are fortunate to have good pub managers and staff at the individual units. They have been very supportive of the work involved in the unexpected change of manager to LTMS and they are enthusiastic about the wider range of products available through the greater purchasing power of LTMS.

We are just at the point of starting to renegotiate our bank facilities. Shareholders will note that in common with three years ago we have an emphasis of matter qualification which arises because new facilities were not in place at the year end. As we have been actively pursued by three banks for our business and our gearing is limited, I am confident that we shall secure appropriate facilities.

The Company is currently unable to pay a dividend and that annoys me because I had set that as an objective. It is the intention to do so when cash reserves have been restored.

**Future strategy**

The Directors are well aware that the Company is in its ninth year of operation and for shareholders that is a longer period than they originally envisaged; though many will still appreciate the tax advantages.

The previous method to enable Shareholders to sell or buy shares did not produce tangible results so the Directors, following shareholder approval, set up a share trading facility, initially bi-annually, on Asset Match. The costs of setting up the facility, including changing the articles, were £9,000 and are included in administration costs. The actual annual running costs of each auction is not significant.

The first Asset Match auction was held in September 2014, just after the Scottish Independence Referendum; this showed little appetite by Shareholders for sales at a low value. There will be a further auction on a date in April that will be determined shortly.

We are beginning to see the emergence of possible purchasers for the Company's estate. At the moment their interest is at low valuation but both their existence and the desire of the banks to be more active in this sector is, to my mind, a reasonable sign that prices will improve over the next year. However we do not intend to take only a reactive position. We are already in discussion with a management team with a strong track record that may be motivated to build a business based on this Company. I intend to pursue both that and other opportunities. Obviously any such measures will need to be recommended by the Board and approved by Shareholders.

Pub prices elsewhere in the UK are on an upward trend from last year and I look forward to reporting progress both in performance and in seeking buyers for a viable exit at reasonable value over the next year.

A G Stewart

**Chairman**

4 March 2015

The Directors present their strategic report for the year ended 27 September 2014.

**Review of the business**

Total turnover is £5,540,254 (2013: £5,563,390). Operating profit after the cost of Manager services is £408,871 (2013: £338,487) which is an increase of 21% comparable to the prior year. Profits before tax of £319,157 (2013: £246,811) are reported for the year after interest charges.

Net assets have increased in the year to £8,474,281 (2013: £8,220,050) and the Directors consider this to be a robust performance in difficult market conditions. The Company has net debt of £1,916,067 (2013: £2,154,329).

**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.

## 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.

#### 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 and Note 19 to the financial statements, 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 27 September 2014**

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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 marginally down on the previous year primarily due to planned closures for improvement at two sites.
2. Profit per pub - this has reduced slightly on the prior year due to the planned closure of two sites to upgrade facilities.
3. Gross margin - this has decreased slightly to 67.79% (2013 - 68.26%).
4. Profit before tax percentage (before the semi-fixed cost of Manager services) - at 9.6% this has decreased from the previous year figure of 10.5% of turnover.
5. Profit after tax - this has increased by 51.5%.

On behalf of the board

A G Stewart

**Director**

4 March 2015

## **Thistle Pub Company III plc**

### **Directors' report**

**For the year ended 27 September 2014**

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The Directors present their report and financial statements for the year ended 27 September 2014.

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

Thistle Pub Company III plc ("the Company") owns public houses across Scotland, which were operated under contract by Maclay Inns Limited. LT Management Services Limited were appointed as Manager on 23 January 2015 in place of Maclay Inns Limited.

#### **Results and dividends**

The results for the year are set out on page 12.

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 following Directors have held office since 29 September 2013:

A G Stewart

P F Theakston

#### **Auditors**

Saffery Champness have expressed their willingness to remain in office as auditors of the Company.

**Statement of directors' responsibilities**

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

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

4 March 2015

## **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 of Thistle Pub Company III plc for the year ended 27 September 2014 set out on pages 12 to 27. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 27 September 2014 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.

## **Thistle Pub Company III plc**

### **Independent auditors' report (continued) To the members of Thistle Pub Company III plc**

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#### **Emphasis of matter**

##### **Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of Thistle Pub Company III plc's bank term loan. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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

In our opinion the information given in the Strategic Report and 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.

**David Hughes (Senior Statutory Auditor)  
for and on behalf of Saffery Champness**

4 March 2015

**Chartered Accountants  
Statutory Auditors**

Edinburgh Quay  
133 Fountainbridge  
Edinburgh  
EH3 9BA

**Thistle Pub Company III plc**

**Profit and loss account**

**For the year ended 27 September 2014**

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		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>£</b>	<b>as restated £</b>
<b>Turnover</b>	<b>2</b>	5,540,254	5,563,390
Cost of sales		(4,809,237)	(4,775,344)
<b>Gross profit</b>		731,017	788,046
Administrative expenses		(322,146)	(449,559)
<b>Operating profit</b>	<b>3</b>	408,871	338,487
Other interest receivable and similar income	<b>4</b>	167	197
Interest payable and similar charges	<b>5</b>	(89,881)	(91,873)
<b>Profit on ordinary activities before taxation</b>		319,157	246,811
Tax on profit on ordinary activities	<b>6</b>	(64,926)	(79,047)
<b>Profit for the year</b>	<b>14</b>	254,231	167,764

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

The notes on pages 17 to 27 form part of these financial statements.

**Thistle Pub Company III plc**

**Statement of total recognised gains and losses  
For the year ended 27 September 2014**

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		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>£</b>	<b>as restated £</b>
<b>Profit for the financial year</b>		254,231	167,764
Prior year adjustment	<b>14</b>	(54,911)	-
<b>Total gains and losses recognised since last financial statements</b>		<u>199,320</u>	<u>167,764</u>

Thistle Pub Company III plc

Balance sheet

As at 27 September 2014

		2014		2013 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		10,921,866		10,756,098
<b>Current assets</b>					
Stocks	8	87,893		98,450	
Debtors	9	195,183		167,351	
Cash at bank and in hand		400,563		311,426	
				<u>683,639</u>	<u>577,227</u>
<b>Creditors: amounts falling due within one year</b>	<b>10</b>	<u>(3,001,172)</u>		<u>(678,367)</u>	
<b>Net current liabilities</b>			<u>(2,317,533)</u>		<u>(101,140)</u>
<b>Total assets less current liabilities</b>			8,604,333		10,654,958
<b>Creditors: amounts falling due after more than one year</b>	<b>11</b>		-		(2,317,741)
<b>Provisions for liabilities and charges</b>	<b>12</b>		<u>(130,052)</u>		<u>(117,167)</u>
			<u>8,474,281</u>		<u>8,220,050</u>
<b>Capital and reserves</b>					
Called up share capital	13	3,750,000		3,750,000	
Share premium account	14	3,191,825		3,191,825	
Profit and loss account	14	1,532,456		1,278,225	
<b>Shareholders' funds</b>	<b>15</b>		<u>8,474,281</u>		<u>8,220,050</u>

The notes on pages 17 to 27 form part of these financial statements.

**Thistle Pub Company III plc**

**Balance sheet (continued)**  
**As at 27 September 2014**

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The financial statements were approved by the Board on 4 March 2015

A G Stewart  
**Director**

P F Theakston  
**Director**

Thistle Pub Company III plc

Cash flow statement

For the year ended 27 September 2014

	Notes	£	2014 £	£	2013 £
<b>Net cash inflow from operating activities</b>	<b>20</b>		761,193		417,526
<b>Returns on investments and servicing of finance</b>					
Interest received		167		197	
Interest paid		(89,881)		(91,873)	
<b>Net cash outflow for returns on investments and servicing of finance</b>			(89,714)		(91,676)
<b>Taxation</b>			(72,128)		(61,373)
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(361,089)		(173,041)	
<b>Net cash outflow for capital expenditure</b>			(361,089)		(173,041)
<b>Net cash inflow before management of liquid resources and financing</b>			238,262		91,436
<b>Financing</b>					
Repayment of long term bank loan		(149,125)		(114,449)	
<b>Net cash outflow from financing</b>			(149,125)		(114,449)
<b>Increase/(decrease) in cash in the year</b>	<b>21, 22</b>		<u>89,137</u>		<u>(23,013)</u>

## 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 Company's bank facilities are due for renewal in July 2015. Discussions are currently ongoing with the Company's bankers and with other banks and the Directors are confident that suitable facilities will be made available. 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.

### 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.

Notes to the financial statements (continued)  
For the year ended 27 September 2014

**1 Accounting policies** (continued)

**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.

<b>3 Operating profit</b>	<b>2014</b>	<b>2013</b>
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	195,321	192,747
	<u>          </u>	<u>          </u>

**Auditors' remuneration**

Fees payable to the Company's auditor for the audit of the company's annual accounts

Taxation and other services

8,000	7,500
3,150	3,000
<u>          </u>	<u>          </u>
11,150	10,500
<u>          </u>	<u>          </u>

<b>4 Investment income</b>	<b>2014</b>	<b>2013</b>
	£	£
Bank interest	167	197
	<u>          </u>	<u>          </u>

**Thistle Pub Company III plc**

**Notes to the financial statements (continued)**

**For the year ended 27 September 2014**

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<b>5 Interest payable</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	<u>89,881</u>	<u>91,873</u>

Notes to the financial statements (continued)  
For the year ended 27 September 2014

6 Taxation	2014 £	2013 £
<b>Domestic current year tax</b>		
U.K. corporation tax	65,231	72,128
Adjustment for prior years	(13,190)	-
	<u>52,041</u>	<u>72,128</u>
<b>Total current tax</b>		
<b>Deferred tax</b>		
Deferred tax charge - current year	12,868	6,919
Adjustment for prior years	17	-
	<u>12,885</u>	<u>6,919</u>
	<u>64,926</u>	<u>79,047</u>
<b>Factors affecting the tax charge for the period</b>		
Profit on ordinary activities before taxation	<u>319,157</u>	<u>246,811</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.01% (2013 - 23.50%)	<u>70,246</u>	<u>58,001</u>
Effects of:		
Non deductible expenses	5,609	12,370
Depreciation add back	14,310	45,296
Capital allowances	(15,713)	(42,885)
Marginal relief	(5,896)	(10,038)
Adjustments to previous periods	(13,190)	12,904
Deferred revenue expenditure	(4,879)	(3,520)
Other tax adjustments	1,554	-
	<u>(18,205)</u>	<u>14,127</u>
<b>Current tax charge for the period</b>	<u>52,041</u>	<u>72,128</u>

Thistle Pub Company III plc

Notes to the financial statements (continued)  
For the year ended 27 September 2014

7 Tangible fixed assets

	Heritable property	Fixtures, fittings and equipment	Total
	£	£	£
<b>Cost</b>			
At 29 September 2013	10,215,802	1,625,943	11,841,745
Additions	114,198	246,891	361,089
	<u>10,330,000</u>	<u>1,872,834</u>	<u>12,202,834</u>
At 27 September 2014	10,330,000	1,872,834	12,202,834
<b>Depreciation</b>			
At 29 September 2013	159,055	926,592	1,085,647
Charge for the year	30,812	164,509	195,321
	<u>189,867</u>	<u>1,091,101</u>	<u>1,280,968</u>
At 27 September 2014	189,867	1,091,101	1,280,968
<b>Net book value</b>			
At 27 September 2014	<u>10,140,133</u>	<u>781,733</u>	<u>10,921,866</u>
At 28 September 2013	<u>10,056,747</u>	<u>699,351</u>	<u>10,756,098</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 27 September 2014.

8 Stocks	2014	2013
	£	£
Finished goods and goods for resale	87,893	98,450
	<u>87,893</u>	<u>98,450</u>

9 Debtors	2014	2013
	£	as restated £
Trade debtors	2,745	2,622
Amounts owed by related undertakings	36,423	-
Other debtors	156,015	164,729
	<u>195,183</u>	<u>167,351</u>

Notes to the financial statements (continued)  
For the year ended 27 September 2014

<b>10 Creditors: amounts falling due within one year</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (note 11)	2,316,630	148,014
Trade creditors	481,127	378,991
Corporation tax	52,041	72,128
Other taxes and social security costs	66,582	-
Amounts owed to related undertakings	-	6,023
Accruals and deferred income	84,792	73,211
	<u>3,001,172</u>	<u>678,367</u>
	<u><u>3,001,172</u></u>	<u><u>678,367</u></u>
<b>11 Creditors: amounts falling due after more than one year</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Bank loans	-	2,317,741
	<u>-</u>	<u>2,317,741</u>
	<u><u>-</u></u>	<u><u>2,317,741</u></u>
<b>Analysis of loans</b>		
Wholly repayable within five years	2,316,630	2,465,755
	<u>2,316,630</u>	<u>2,465,755</u>
Included in current liabilities	(2,316,630)	(148,014)
	<u>(2,316,630)</u>	<u>(148,014)</u>
	<u><u>-</u></u>	<u><u>2,317,741</u></u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	-	856,509
In more than two years but not more than five years	-	1,461,232
	<u>-</u>	<u>1,461,232</u>
	<u><u>-</u></u>	<u><u>1,461,232</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.

Notes to the financial statements (continued)  
For the year ended 27 September 2014

**12 Provisions for liabilities**

	<b>Deferred tax liability £</b>
Balance at 29 September 2013	117,167
Profit and loss account	12,885
	<hr/>
Balance at 27 September 2014	<u>130,052</u>

**The deferred tax liability is made up as follows:**

	<b>2014 £</b>	<b>2013 £</b>
Accelerated capital allowances	134,681	120,386
Other timing differences	(4,629)	(3,219)
	<hr/>	<hr/>
	<u>130,052</u>	<u>117,167</u>

**13 Share capital**

	<b>2014 £</b>	<b>2013 £</b>
<b>Allotted, called up and fully paid</b>		
7,500,000 Ordinary shares of 50p each	3,750,000	3,750,000
	<hr/>	<hr/>
	<u>3,750,000</u>	<u>3,750,000</u>

Notes to the financial statements (continued)  
For the year ended 27 September 2014

**14 Statement of movements on reserves**

	Share premium account £	Profit and loss account £
Balance at 29 September 2013 as previously reported	3,191,825	1,333,136
Prior year adjustment	-	(54,911)
Balance at 29 September 2013 as restated	3,191,825	1,278,225
Profit for the year	-	254,231
Balance at 27 September 2014	<u>3,191,825</u>	<u>1,532,456</u>

The prior year adjustment represents £54,911 costs incorrectly allocated by the previous manager.

**15 Reconciliation of movements in shareholders' funds**

	2014 £	2013 £
Profit for the financial year	254,231	167,764
Opening shareholders' funds	8,220,050	8,052,286
Closing shareholders' funds	<u>8,474,281</u>	<u>8,220,050</u>

**16 Directors' remuneration**

	2014 £	2013 £
Remuneration for qualifying services	<u>38,411</u>	<u>35,038</u>

Notes to the financial statements (continued)  
For the year ended 27 September 2014

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**17 Employees**

**Number of employees**

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

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
	2	2
	<u>2</u>	<u>2</u>
	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Employment costs		
Wages and salaries	38,411	35,038
	<u>38,411</u>	<u>35,038</u>

**18 Control**

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

**19 Post balance sheet events**

LT Management Services Limited was appointed Manager on 23 January 2015.

In the period immediately following the Company's year end on 27 September 2014 an amount in excess of £300,000 was transferred from the Company's bank account by Maclay Inns Limited, the Manager at the time. This was in effect funds taken in advance of management services provided; the transfers were not authorised by the Board.

On 23 January 2015 Maclay Inns Limited went into administration. The Directors are looking at every avenue to recover the funds due to the Company. As this event occurred after the balance sheet date no provision has been made in these accounts for any loss that may arise to the Company.

Notes to the financial statements (continued)  
For the year ended 27 September 2014

20 Reconciliation of operating profit to net cash inflow from operating activities	2014	2013
	£	£
Operating profit	408,871	338,487
Depreciation of tangible assets	195,321	192,747
Decrease/(increase) in stocks	10,557	(17,080)
(Increase)/decrease in debtors	(27,832)	94,025
Increase/(decrease) in creditors within one year	174,276	(190,653)
<b>Net cash inflow from operating activities</b>	<u>761,193</u>	<u>417,526</u>

21 Analysis of net debt	29 September 2013	Cash flow	Other non- cash changes	27 September 2014
	£	£	£	£
Net cash:				
Cash at bank and in hand	311,426	89,137	-	400,563
Debt:				
Debts falling due within one year	(148,014)	(2,168,616)	-	(2,316,630)
Debts falling due after one year	(2,317,741)	2,317,741	-	-
<b>Net debt</b>	<u>(2,154,329)</u>	<u>238,262</u>	<u>-</u>	<u>(1,916,067)</u>

22 Reconciliation of net cash flow to movement in net debt	2014	2013
	£	£
Increase/(decrease) in cash in the year	89,137	(23,013)
Cash outflow from decrease in debt	149,125	114,449
<b>Movement in net debt in the year</b>	<u>238,262</u>	<u>91,436</u>
Opening net debt	(2,154,329)	(2,245,765)
<b>Closing net debt</b>	<u>(1,916,067)</u>	<u>(2,154,329)</u>

Notes to the financial statements (continued)  
For the year ended 27 September 2014

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**23 Related party transactions**

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Maclay Inns Limited:		
Recharge of payroll costs	1,703,681	1,730,205
Provision of management services	210,483	335,869
	<u>                    </u>	<u>                    </u>

The balances due from/(to) related parties at the year end were as follows:

Maclay Inns Limited	<u>          36,423</u>	<u>          (6,023)</u>
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On 23 January 2015 the management contract with Maclay Inns Limited was terminated.