

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

**THISTLE PUB COMPANY III PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 29 SEPTEMBER 2012**

## THISTLE PUB COMPANY III PLC

### COMPANY INFORMATION

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<b>Directors</b>	A A Meldrum (Chairman) A G Stewart
<b>Secretary</b>	TM Company Services Limited
<b>Company number</b>	SC306747
<b>Registered office</b>	Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA
<b>Manager</b>	Maclay Inns Limited Unit 2/4 The e-Centre Cooperage Way Business Village Alloa FK10 3LP  01259 272087 info@maclay.co.uk
<b>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  Santander UK plc Customer Service Centre Bootle Merseyside L30 4GB
<b>Solicitors</b>	Kergan Stewart LLP 163 Bath Street Glasgow G2 4SQ

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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 29 SEPTEMBER 2012**

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I have much pleasure in presenting this year's report to shareholders.

It has been a year of consolidation by the Company in very difficult trading conditions in the Scottish pub market. Our higher quality pub-restaurant sector has performed better than the general pubs market in Scotland, which has declined, and within our sector of the market your board believe the company has performed better than competitors on average. Our development phase following our investments and repositioning of our 7 pub acquisitions since 2006-07 is complete. With our trading potential, your board believe our superior portfolio of pubs is well placed to blossom and take advantage of any upturn in trading and the expected bounce back to more normal summer weather in 2013.

In the past year we had the worst summer weather in living memory which had a major impact on the Scottish pubs market. This affected not only pubs in Scotland but all retailers, including our own destination outlets where transport is required, and greatly affected beer garden business and dining out. Unlike parts of the South of England, we have not discerned any overall market benefit in Scotland from the 2012 Olympics or The Queen's Diamond Jubilee, with probably only the off licence take-home market benefitting somewhat.

At our last AGM I reported that we had started the year with a good first quarter, but since the second quarter had shown market declines (as the economic situation bit harder), I sounded a note of caution for the rest of the year. Since the AGM, the second half of the year was greatly affected by unexpectedly awful weather.

However, regarding our final trading performance, I'm pleased to report that, despite all the adverse market conditions, we have retained our customer base in our pub portfolio with our Sales growing by 0.9% to £5.5m. Gross Margin increased by 1.4% to £3.8m and Retail Trading Profit dipped slightly by 1.0% (£8k) to £0.8m. The biggest factors were increased Energy and Labour costs, our two biggest operating cost areas, but we also increased promotional costs in line with our competitive strategy of improving our offers to attract customers to visit our pubs rather than staying at home during the adverse trading conditions. Savings in interest payments in the year meant that PBT was in line with last year despite the above.

In summary, your board believe we would have improved results further on last year had we, like everyone else, not suffered from adverse weather conditions and believe our results are reassuring in very tough economic times. With our superior portfolio of pubs, we believe we have the trading potential to take advantage of better market conditions in the future.

In anticipation of the Directors' strategy of creating an exit opportunity for shareholders during the first half of 2012-13 (or if unsuccessful in that endeavour, then securing competitive tenders for a new management contract by June 30, 2013), Stephen Mallon resigned from the board at the end of the financial year to remove any conflicts of interest. We thank Stephen, MD of our Manager, for his sterling work for our company since its inception. He will still attend board meetings representing our Manager for operational reporting matters. The independent directors have been preparing for these events for some time and commenced marketing the company in January 2013.

## THISTLE PUB COMPANY III PLC

### CHAIRMAN'S REPORT (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012

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In previous years, in order to save costs, we have used the same legal and financial advisors as our Manager. However, as we are entering a possible exit period and to avoid any possible conflicts of interest your board have appointed as our independent corporate lawyers Kergan Stewart LLP based in Glasgow and appointed independent corporate financial advisors SPARK Advisory Partners Limited based in London and Leeds. Both are experienced in Takeover Code work as required by regulation. SPARK Advisory Partners Limited were formerly with Brewin Dophin our advisors when our EIS prospectus was launched to shareholders and so they know our market.

Saffery Champness were re-appointed as our Auditor for 2011-12 at the last AGM. For the same reasons as our lawyers and advisors, we have hitherto used the same Auditor as our Manager. Although we were entering a possible exit period our Auditor felt they did not have a conflict of interest. After safeguards were put in place, including a review of the audit by an independent partner based elsewhere in the firm, the Directors accepted this. However, since the Accounts for 2011-12 were completed, the Corporate Finance division of Saffery Champness have intimated to the Directors and to the Panel on Takeovers and Mergers that they are acting as financial advisors to another party interested in making an offer to buy our company. Regarding future audits, as is usual in the Resolutions included in the Notice of the Annual General Meeting enclosing the Accounts, the shareholders have an opportunity to vote on whether to retain or not Saffery Champness as our Auditor.

On 11 February 2013, all shareholders were sent a letter from me advising that the company had commenced a Formal Sale Process and was in an Offer Period under the auspices of the Panel on Takeovers and Mergers. The deadline to receive indicative offers is not until 8 March 2013. Shareholders will be kept informed of progress as soon as it is appropriate.

#### **Outlook**

The economic outlook remains uncertain with significant pressures on costs continuing to be expected. The finances of our customers are also expected to continue to be impacted by the ongoing economic downturn. This will bring further pressure on our customers' discretionary spending.

Our Manager's prime focus for the new financial year of 2012-13 is threefold :-

- to give our customers attractive reasons to visit our pubs through the promotion of entertainment, community activity and improved offers;
- to continue focus on reducing operating costs wherever possible to ensure the best conversion of sales to profit; and
- to take maximum advantage of the local market skills of our pub managers, especially with 4 of our 7 pubs in the recent past having new pub managers in place.

Sales in the first quarter of the new financial year of 2012-13 have been in line with the previous year's good first quarter and in line with budget. In the 2 weeks of Christmas and New Year our sales increased by a most pleasing +13%.

The company continues to have modest levels of debt. Gearing (i.e. Debt / Assets) remains at a level with which the Directors remain comfortable. £1.7m of the total £2.6m of debt was re-financed with our bankers on acceptable terms.

## THISTLE PUB COMPANY III PLC

### CHAIRMAN'S REPORT (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012

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The overall intention remains to maintain and improve the current portfolio performance to ensure profits and values are maximised with the minimum risk to the company. The Directors believe the company is well placed to continue to trade profitably through these tough economic times. The pubs remain in good condition, professionally run and are above the average in the growth pub markets in which they compete. This should mean that we are as well placed as any to take advantage of any upturn in trading conditions.

Our 7 pubs are listed below and shareholders are encouraged to visit them and give their custom with any feedback on their experience very welcome :-

The Clockwork Beer Company, Glasgow.  
DRAM!, Glasgow.  
Canal Station, Paisley.  
The Steading, Edinburgh.  
The Laird & Dog Inn, Lasswade, Lothian.  
The Wheel Inn, Scone, Perthshire.  
The Dog House, Balloch, Loch Lomond.

#### **Share trading**

A mechanism was put in place two years ago recognising the fact that there is no active market for trading in the shares of Thistle Pub Company III plc but that the company does receive some expressions of interest from shareholders in share sales and purchases.

The company cannot be actively involved in any trading of shares between individuals; however, it can put potential buyers in touch with potential sellers of shares to strike their own bargain. As a result, an improved database of potential buyers and sellers has been set up and interested parties were passed contact details. Share transactions of 1.4% of shares have taken place. We will continue this process.

If you are interested in buying or selling shares in the company, contact our Manager (Maclay Inns Limited) at [shares@maclay.co.uk](mailto:shares@maclay.co.uk) or Maclay Inns Limited, Unit 2/4 The e-Centre, Cooperage Way Business Village, Alloa FK10 3LP before 31st March 2013. Your details will then be placed in a database and contact details will be passed to relevant other shareholders during April 2013.

**The foregoing must not be construed as an invitation or inducement to engage in investment activity as described in section 21 of the Financial Services and Markets Act 2000.**

A A Meldrum  
**Chairman**  
25 February 2013

## THISTLE PUB COMPANY III PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 29 SEPTEMBER 2012

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The directors present their report and financial statements for the year ended 29 September 2012.

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

Thistle Pub Company III plc ("the company") owns public houses across Scotland, which are operated under contract by Maclay Inns Limited ("the Manager"). It was launched under the Enterprise Investment Scheme in 2006.

Total turnover is £5,561,450 (2011 - £5,509,792). Operating profit after the cost of Manager services is £369,612, which is a decrease of 5% over the prior year and reflects a year of challenging conditions particularly with regard to profit margins and costs. Profits before tax of £291,063 (2011 - £291,930) are reported for the year after interest charges.

Net assets have increased in the year to £8,052,286 (2011 - £7,826,234) and the directors consider this to be a robust performance in difficult market conditions. The company has net debt of £2,245,765 (2011 - £2,560,200).

#### **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

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012

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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 (in 2011/12, Food increased from 39.3% of our Turnover to 40.2%, despite the adverse weather).

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 works 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

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012

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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 constantly monitors 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. Hedging instruments are in place to reduce the exposure to interest rate risk.

#### 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.

### **Results and dividends**

The results for the year are set out on page 11.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future. The directors do not recommend any dividends be declared.

## THISTLE PUB COMPANY III PLC

### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012

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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 growth - in the year sales have increased by 1% through management action, despite the bad weather and difficult economic conditions.
2. Average profit per pub - this has reduced by 7% on the prior year due to the increased operational costs previously noted.
3. Gross profit percentage - this is similar to last year at 15.2% (2011 - 15.6%).
4. Profit before Tax percentage (before the semi-fixed cost of Manager services) - at 11.9% this has fallen slightly from the previous year of 12.3% of turnover.
5. Profit before tax growth - this has remained in line with last year.

#### Future developments

The markets in which the company operates remain competitive and fast changing. The company continues 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 2 October 2011:

A A Meldrum

S G Mallon

A G Stewart

(Resigned 30 September 2012)

#### Creditor payment policy

The company maintains a policy of paying creditors in line with the agreed terms of trade applicable to each individual creditor.

Creditor days at 29 September 2012 equated to 26 days (2011 - 26 days).

#### Auditors

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

## THISTLE PUB COMPANY III PLC

### **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012**

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#### **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 A Meldrum

**Director**

25 February 2013

## **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 29 September 2012 set out on pages 11 to 23. 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 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 Directors' Report to identify material inconsistencies with the audited financial statements. 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 29 September 2012 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**THISTLE PUB COMPANY III PLC**

**INDEPENDENT AUDITORS' REPORT (continued)  
TO THE MEMBERS OF THISTLE PUB COMPANY III PLC**

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**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**

26 February 2013

**Chartered Accountants  
Statutory Auditors**

Edinburgh Quay  
133 Fountainbridge  
Edinburgh  
EH3 9BA

**THISTLE PUB COMPANY III PLC**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 29 SEPTEMBER 2012**

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		<b>2012</b>	<b>2011</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	5,561,450	5,509,792
Cost of sales		(4,714,101)	(4,648,188)
<b>Gross profit</b>		847,349	861,604
Administrative expenses		(477,737)	(472,044)
<b>Operating profit</b>	<b>3</b>	369,612	389,560
Other interest receivable and similar income	<b>4</b>	298	191
Interest payable and similar charges	<b>5</b>	(78,847)	(97,821)
<b>Profit on ordinary activities before taxation</b>		291,063	291,930
Tax on profit on ordinary activities	<b>6</b>	(65,011)	(61,875)
<b>Profit for the year</b>	<b>14</b>	<u>226,052</u>	<u>230,055</u>

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

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 14 to 23 form part of these financial statements.

**THISTLE PUB COMPANY III PLC****BALANCE SHEET  
AS AT 29 SEPTEMBER 2012**

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	<b>Notes</b>	<b>2012</b>		<b>2011</b>	
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Tangible assets	<b>7</b>	10,775,804		10,772,411	
<b>Current assets</b>					
Stocks	<b>8</b>	81,370		85,612	
Debtors	<b>9</b>	261,376		253,889	
Cash at bank and in hand		334,439		81,329	
		<u>677,185</u>		<u>420,830</u>	
<b>Creditors: amounts falling due within one year</b>	<b>10</b>	<u>(2,470,067)</u>		<u>(2,882,256)</u>	
<b>Net current liabilities</b>		<u>(1,792,882)</u>		<u>(2,461,426)</u>	
<b>Total assets less current liabilities</b>		8,982,922		8,310,985	
<b>Creditors: amounts falling due after more than one year</b>	<b>11</b>	(820,388)		(384,469)	
<b>Provisions for liabilities and charges</b>	<b>12</b>	<u>(110,248)</u>		<u>(100,282)</u>	
		<u>8,052,286</u>		<u>7,826,234</u>	
<b>Capital and reserves</b>					
Called up share capital	<b>13</b>	3,750,000		3,750,000	
Share premium account	<b>14</b>	3,191,825		3,191,825	
Profit and loss account	<b>14</b>	<u>1,110,461</u>		<u>884,409</u>	
<b>Shareholders' funds - equity interests</b>	<b>15</b>	<u>8,052,286</u>		<u>7,826,234</u>	

The notes on pages 14 to 23 form part of these financial statements.

The financial statements were approved by the board on 25 February 2013

A A Meldrum  
**Director**

A G Stewart  
**Director**

**THISTLE PUB COMPANY III PLC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 29 SEPTEMBER 2012**

	Notes	£	2012 £	£	2011 £
<b>Net cash inflow from operating activities</b>	<b>19</b>		657,780		299,919
<b>Returns on investments and servicing of finance</b>					
Interest received		298		191	
Interest paid		(78,847)		(97,821)	
<b>Net cash outflow for returns on investments and servicing of finance</b>			(78,549)		(97,630)
<b>Taxation</b>			(53,409)		(53,071)
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(211,387)		(694,056)	
<b>Net cash outflow for capital expenditure</b>			(211,387)		(694,056)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>			314,435		(544,838)
<b>Financing</b>					
Other new short term loans		-		2,248,901	
Repayment of long term bank loan		(53,166)		(1,749,187)	
Repayment of other short term loans		-		(300,000)	
Capital element of finance lease contracts		(8,159)		(8,017)	
<b>Net cash (outflow)/inflow from financing</b>			(61,325)		191,697
<b>Increase/(decrease) in cash in the year</b>	<b>20, 21</b>		253,110		(353,141)

# THISTLE PUB COMPANY III PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 SEPTEMBER 2012

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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. It also utilises term loan facilities provided by Royal Bank of Scotland plc. The balance sheet reports net current liabilities due to the classification of certain of its term loans as being due for repayment in October 2012. This is detailed further in note 11 to these financial statements. Subsequent to the year end the directors have successfully re-negotiated this funding with the company's bankers and so 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 & 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.

#### 1.6 Stock

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

# THISTLE PUB COMPANY III PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 29 SEPTEMBER 2012

### 1 Accounting policies (continued)

#### 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	2012	2011
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	207,994	221,970

#### Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's

annual accounts	8,500	8,000
Taxation and other services	2,500	2,500
	<u>11,000</u>	<u>10,500</u>

4 Investment income	2012	2011
	£	£
Bank interest	298	191

5 Interest payable	2012	2011
	£	£
On bank loans and overdrafts	78,847	97,821

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012

6 Taxation	2012 £	2011 £
<b>Domestic current year tax</b>		
U.K. corporation tax	61,373	61,263
Adjustment for prior years	(6,328)	(11,435)
<b>Total current tax</b>	<u>55,045</u>	<u>49,828</u>
<b>Deferred tax</b>		
Deferred tax charge - current year	6,745	9,417
Adjustment for prior years	3,221	2,630
	<u>9,966</u>	<u>12,047</u>
	<u>65,011</u>	<u>61,875</u>
<b>Factors affecting the tax charge for the period</b>		
Profit on ordinary activities before taxation	<u>291,063</u>	<u>291,930</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25.00% (2011 - 20.00%)	<u>72,766</u>	<u>58,386</u>
Effects of:		
Non deductible expenses	-	1,045
Depreciation add back	51,999	44,394
Capital allowances	(43,961)	(40,395)
Marginal relief	(14,886)	-
Adjustments to previous periods	(6,328)	(11,435)
Deferred revenue expenditure	(4,545)	(3,645)
Other tax adjustments	-	1,478
	<u>(17,721)</u>	<u>(8,558)</u>
<b>Current tax charge for the period</b>	<u>55,045</u>	<u>49,828</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012

7 Tangible fixed assets

	Heritable property £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 2 October 2011	10,046,140	1,411,177	11,457,317
Additions	96,002	115,385	211,387
At 29 September 2012	<u>10,142,142</u>	<u>1,526,562</u>	<u>11,668,704</u>
<b>Depreciation</b>			
At 2 October 2011	97,982	586,924	684,906
Charge for the year	30,426	177,568	207,994
At 29 September 2012	<u>128,408</u>	<u>764,492</u>	<u>892,900</u>
<b>Net book value</b>			
At 29 September 2012	<u>10,013,734</u>	<u>762,070</u>	<u>10,775,804</u>
At 1 October 2011	<u>9,948,158</u>	<u>824,253</u>	<u>10,772,411</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 29 September 2012.

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £
<b>Net book values</b>	
At 29 September 2012	-
At 1 October 2011	-
<b>Depreciation charge for the year</b>	
At 29 September 2012	-
At 1 October 2011	<u>11,447</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012

<b>8 Stocks</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<u>81,370</u>	<u>85,612</u>
<b>9 Debtors</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,241	921
Other debtors	<u>260,135</u>	<u>252,968</u>
	<u>261,376</u>	<u>253,889</u>
<b>10 Creditors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (note 11)	1,759,816	2,248,901
Net obligations under finance leases	-	8,159
Trade creditors	352,386	326,054
Corporation tax	61,373	59,737
Amounts owed to related undertakings	249,406	193,347
Accruals and deferred income	<u>47,086</u>	<u>46,058</u>
	<u>2,470,067</u>	<u>2,882,256</u>
<b>Net obligations under finance leases</b>		
Repayable within one year	<u>-</u>	<u>8,159</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012

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11 Creditors: amounts falling due after more than one year	2012	2011
	£	£
Bank loans	<u>820,388</u>	<u>384,469</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	<u>2,580,204</u>	<u>2,633,370</u>
	2,580,204	2,633,370
Included in current liabilities	<u>(1,759,816)</u>	<u>(2,248,901)</u>
	<u>820,388</u>	<u>384,469</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	60,625	24,548
In more than two years but not more than five years	<u>759,763</u>	<u>359,921</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.

One of the company's term loans for £1.7m was due for repayment during the year. A revised facility with the company's bankers, Royal Bank of Scotland plc, was agreed prior to the year end and was fully formalised in the new financial year. At no time was the company without suitable facilities or in breach of any agreement with the bank. The process of renewal with the banks takes considerably longer in the current economic climate than previously which accounted for the delay. Interest will accrue on this loan at a rate of 3.25% over LIBOR. Repayments will be by eleven quarterly instalments along with a larger final instalment of an amount sufficient to repay the outstanding balance in full.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012

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12 Provisions for liabilities

	<b>Deferred tax liability</b> <b>£</b>
Balance at 2 October 2011	100,282
Profit and loss account	9,966
	<hr/>
Balance at 29 September 2012	<u>110,248</u>

The deferred tax liability is made up as follows:

	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
Accelerated capital allowances	<u>110,248</u>	<u>100,282</u>

13 Share capital

	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
<b>Allotted, called up and fully paid</b>		
7,500,000 Ordinary shares of 50p each	<u>3,750,000</u>	<u>3,750,000</u>

14 Statement of movements on reserves

	<b>Share premium account</b> <b>£</b>	<b>Profit and loss account</b> <b>£</b>
Balance at 2 October 2011	3,191,825	884,409
Profit for the period	-	226,052
	<hr/>	<hr/>
Balance at 29 September 2012	<u>3,191,825</u>	<u>1,110,461</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012

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<b>15 Reconciliation of movements in shareholders' funds</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	226,052	230,055
Opening shareholders' funds	7,826,234	7,596,179
	<u>                    </u>	<u>                    </u>
Closing shareholders' funds	<u>8,052,286</u>	<u>7,826,234</u>

<b>16 Directors' remuneration</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	49,426	48,256
	<u>                    </u>	<u>                    </u>

**17 Employees**

**Number of employees**

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

<b>2012</b>	<b>2011</b>
<b>Number</b>	<b>Number</b>
3	3
<u>                    </u>	<u>                    </u>

**Employment costs**

Wages and salaries

<b>2012</b>	<b>2011</b>
<b>£</b>	<b>£</b>
49,426	48,256
<u>                    </u>	<u>                    </u>

**18 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 29 SEPTEMBER 2012

19 Reconciliation of operating profit to net cash inflow from operating activities	2012	2011
	£	£
Operating profit	369,612	389,560
Depreciation of tangible assets	207,994	221,970
Decrease/(increase) in stocks	4,242	(6,434)
Increase in debtors	(7,487)	(108,515)
Increase/(decrease) in creditors within one year	83,419	(196,662)
<b>Net cash inflow from operating activities</b>	<u>657,780</u>	<u>299,919</u>

20 Analysis of net debt	2 October 2011	Cash flow	Other non- cash changes	29 September 2012
	£	£	£	£
Net cash:				
Cash at bank and in hand	81,329	253,110	-	334,439
Debt:				
Finance leases	(8,159)	8,159	-	-
Debts falling due within one year	(2,248,901)	489,085	-	(1,759,816)
Debts falling due after one year	(384,469)	(435,919)	-	(820,388)
	<u>(2,641,529)</u>	<u>61,325</u>	<u>-</u>	<u>(2,580,204)</u>
<b>Net debt</b>	<u>(2,560,200)</u>	<u>314,435</u>	<u>-</u>	<u>(2,245,765)</u>

21 Reconciliation of net cash flow to movement in net debt	2012	2011
	£	£
Increase/(decrease) in cash in the year	253,110	(353,141)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	61,325	(191,697)
<b>Movement in net debt in the year</b>	<u>314,435</u>	<u>(544,838)</u>
Opening net debt	(2,560,200)	(2,015,362)
<b>Closing net debt</b>	<u>(2,245,765)</u>	<u>(2,560,200)</u>

**THISTLE PUB COMPANY III PLC**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 29 SEPTEMBER 2012**

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**22 Related party transactions**

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

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Maclay Inns Limited:		
Recharge of payroll costs	1,716,174	1,693,900
Recharge of directors remuneration	13,121	13,192
Provision of management services	372,204	386,797
	<u>          </u>	<u>          </u>

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

Maclay Inns Limited	<u>249,406</u>	<u>193,347</u>
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The company has entered into a contract with Maclay Inns Limited for the provision of management services. S G Mallon, a company director until he resigned on 30 September 2012, is also a director of Maclay Inns Limited.