

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

**THISTLE PUB COMPANY III PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 1 OCTOBER 2011**

# THISTLE PUB COMPANY III PLC

## COMPANY INFORMATION

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<b>Directors</b>	A A Meldrum (Chairman) S G Mallon A G Stewart
<b>Secretary</b>	T M 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 36 St Andrew Square Edinburgh EH2 2YB  Santander UK plc Customer Service Centre Bootle Merseyside L30 4GB
<b>Solicitors</b>	Tods Murray LLP Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG

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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 1 OCTOBER 2011

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

During the year a successful refurbishment of our latest pub acquisition DRAM! (formerly called Uisge Beatha) in Glasgow resulted in improved sales and profitability following the renovations which were completed in time for the 2010 festive period. No further acquisitions are presently planned in the current economic climate. However, the company will continue to appraise and consider any opportunities which would enhance the portfolio further.

With the growth in the estate over last year, sales improved by 5% to £5.5m. Gross profits increased by a similar percentage to £0.9m. Like for like (excluding DRAM!) estate contribution improved by 2% mainly as a result of the focus on cost control during the year. Retained profit for the company has increased by 4% to £0.23m.

The weather had a significant impact on this sales performance. We experienced poor weather throughout the year including the worst snowfall in parts of central Scotland since records began which lasted for all of December 2010. This affected all the retail trades in Scotland, including our own destination outlets where transport is required. Following that, 2011 has been the wettest year ever in Scotland which greatly affected beer garden business and dining out.

The poor economic conditions have continued to impact on the retail trade generally and the pub market is no exception. Having said that, I believe that with our superior portfolio we have performed better than others.

Once again our famous pub The Clockwork Beer Company was a prize-winner in the Beer Quality category of the annual Scottish Licensed Trade News Awards.

In summary, improving core profitability despite significant pressures on sales and costs is a heartening result in very tough economic times.

### **Outlook**

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

The focus for the new financial year of 2011/12 is therefore twofold:- to give our customers attractive reasons to visit our pubs through the promotion of entertainment, community activity and improved offers and to continue focus on reducing operating costs wherever possible to ensure the best conversion of sales to profit.

In line with the past year, current trading in the new financial year has been mixed. However, after three months of the year (which includes the key festive period) sales are 10% up on the previous year.

## THISTLE PUB COMPANY III PLC

### CHAIRMAN'S REPORT (continued) FOR THE YEAR ENDED 1 OCTOBER 2011

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#### Outlook (continued)

The company continues to have modest levels of debt. Gearing (i.e. debt / assets) remains at less than 25% which is a level with which the directors remain comfortable. Of the total debt of £2.6m, some £1.7m requires to be re-financed in the coming year and discussions with the company's bankers indicate that this re-financing will not be problematic.

The overall intention remains to maintain and improve the current portfolio 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 seven 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.

The Canal Station, Paisley.

The Steading, Edinburgh.

The Laird & Dog, Lasswade.

The Wheel Inn, Scone.

The Dog House, Balloch, Loch Lomond.

#### Share trading

A mechanism was put in place last year recognising the fact that there is no active market for trading in the shares of Thistle Pub Co 111 plc but that the company does receive the occasional 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, a database of potential buyers and sellers was set up last year and interested parties were passed contact details early in the year. The intention is to repeat this process in the coming year.

If you are interested in buying or selling shares in the company, contact our Manager (Maclay Inns Ltd) at [shares@maclay.co.uk](mailto:shares@maclay.co.uk) or Maclay Inns Ltd, Unit 2/4 The E-centre, Cooperage Way Business Village, Alloa FK10 3LP before 31st March 2012. Your details will then be placed in a database and contact details will be passed to relevant other shareholders during April 2012.

**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.**

26 January 2012  
A A Meldrum  
Chairman

# THISTLE PUB COMPANY III PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 1 OCTOBER 2011

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The directors present their report and financial statements for the year ended 1 October 2011.

### **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.

Turnover is £5,509,792 (2010 - £5,229,276). Operating profit is £389,560, which is an increase of 1% over the prior year and reflects a year of sustained performance particularly with regard to profit margins and costs. Profits before tax of £291,930 (2010 - £307,373) are reported for the year after interest charges.

Net assets have increased in the year to £7,826,234 (2010 - £7,596,179) and the directors consider this to be a robust performance in difficult market conditions. The company has net debt of £2,560,200 (2010 - £2,015,362).

### **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 on-going 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. Our Manager strives to foster mutually beneficial and long-term relationships with our suppliers whilst at the same time driving down costs in all areas. The Manager has successfully negotiated various contracts to avoid significant increases in costs and employs 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 1 OCTOBER 2011

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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.

Our Manager is 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

Our Manager has 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. The Board reviews Health and Safety matters with the Manager at regular board meetings. Our Manager works 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 1 OCTOBER 2011

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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 10.

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 1 OCTOBER 2011**

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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. Average profit per pub - this has grown by 2.1% on the prior year like for like.
2. Sales growth - in the year sales have increased by 5.4% through management action, despite the poor weather and difficult economic conditions.
3. Gross profit percentage - this has remained at 15.6%, despite increased cost pressures.
4. Profit before Tax percentage (after the Manager's fees) - this is 5.3% compared to 5.9% in the prior year.
5. Retained profit growth - retained profits have increased by 3.7% over the previous 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 3 October 2010:

A A Meldrum  
S G Mallon  
A G Stewart

#### **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 1 October 2011 equated to 26 days (2010 - 29 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 1 OCTOBER 2011**

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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

S G Mallon

**Director**

26 January 2012

## **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 1 October 2011 set out on pages 10 to 22. 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 pages 3 - 7, 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 1 October 2011 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.

#### **Emphasis of Matter - Bank funding**

We draw attention to note 11 to the financial statements which describes that the company has a term loan repayment of £1.7m due in July 2012. These financial statements are prepared on a going concern basis as the directors believe that they will successfully renegotiate the provision of long term bank funding prior to the termination date of the loan. Our opinion is not qualified in respect of this matter.

#### **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.

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**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 January 2012

**Chartered Accountants  
Statutory Auditors**

Edinburgh Quay  
133 Fountainbridge  
Edinburgh  
EH3 9BA

# THISTLE PUB COMPANY III PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 1 OCTOBER 2011

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	Notes	2011 £	2010 £
<b>Turnover</b>	<b>2</b>	5,509,792	5,229,276
Cost of sales		<u>(4,648,188)</u>	<u>(4,414,154)</u>
<b>Gross profit</b>		861,604	815,122
Administrative expenses		<u>(472,044)</u>	<u>(429,192)</u>
<b>Operating profit</b>	<b>3</b>	389,560	385,930
Other interest receivable and similar income	<b>4</b>	191	205
Interest payable and similar charges	<b>5</b>	<u>(97,821)</u>	<u>(78,762)</u>
<b>Profit on ordinary activities before taxation</b>		291,930	307,373
Tax on profit on ordinary activities	<b>6</b>	<u>(61,875)</u>	<u>(85,662)</u>
<b>Profit for the year</b>	<b>14</b>	<u>230,055</u>	<u>221,711</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 13 to 22 form part of these financial statements.

**THISTLE PUB COMPANY III PLC****BALANCE SHEET  
AS AT 1 OCTOBER 2011**

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		2011		2010	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		10,772,411		10,300,325
<b>Current assets</b>					
Stocks	8	85,612		79,178	
Debtors	9	253,889		148,816	
Cash at bank and in hand		81,329		434,470	
		<u>420,830</u>		<u>662,464</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(2,882,256)</u>		<u>(1,140,466)</u>	
<b>Net current liabilities</b>			<u>(2,461,426)</u>		<u>(478,002)</u>
<b>Total assets less current liabilities</b>			8,310,985		9,822,323
<b>Creditors: amounts falling due after more than one year</b>	11		(384,469)		(2,137,909)
<b>Provisions for liabilities</b>	12		<u>(100,282)</u>		<u>(88,235)</u>
			<u>7,826,234</u>		<u>7,596,179</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		<u>884,409</u>		<u>654,354</u>
<b>Shareholders' funds</b>	15		<u>7,826,234</u>		<u>7,596,179</u>

The notes on pages 13 to 22 form part of these financial statements.

Approved by the Board and authorised for issue on 26 January 2012

A A Meldrum  
Director

S G Mallon  
Director

Company Registration No. SC306747

**THISTLE PUB COMPANY III PLC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 1 OCTOBER 2011**

	Notes	£	2011 £	£	2010 £
<b>Net cash inflow from operating activities</b>	<b>18</b>		299,919		464,060
<b>Returns on investments and servicing of finance</b>					
Interest received		191		205	
Interest paid		(97,821)		(78,762)	
<b>Net cash outflow for returns on investments and servicing of finance</b>			(97,630)		(78,557)
<b>Taxation</b>			(53,071)		(47,131)
<b>Capital expenditure</b>					
Payments to acquire tangible assets		(694,056)		(1,011,802)	
<b>Net cash outflow for capital expenditure</b>			(694,056)		(1,011,802)
<b>Net cash outflow before management of liquid resources and financing</b>			(544,838)		(673,430)
<b>Financing</b>					
New long term bank loan		222,719		433,656	
Other new short term loans		-		300,000	
Repayment of long term bank loan		(23,005)		-	
Repayment of other short term loans		-		(72,615)	
Capital element of finance lease contracts		(8,017)		(8,017)	
<b>Net cash inflow from financing</b>			191,697		653,024
<b>Decrease in cash in the year</b>	<b>19, 20</b>		<u>(353,141)</u>		<u>(20,406)</u>

# THISTLE PUB COMPANY III PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1 OCTOBER 2011

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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 July 2012, which is detailed further in note 11 to these financial statements. The directors are confident that agreement will be reached with the bank to re-negotiate this funding. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the facilities by the company's bankers.

#### 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 1 OCTOBER 2011

### 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 2011 2010

Operating profit is stated after charging:

Depreciation of tangible assets	221,970	211,949
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#### Auditors' remuneration

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

Taxation and other services	7,500	8,000
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	3,000	3,747
	<u>10,500</u>	<u>11,747</u>

### 4 Investment income 2011 2010

Bank interest	191	205
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	<u>191</u>	<u>205</u>
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THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

<b>5</b>	<b>Interest payable</b>	<b>2011</b>	<b>2010</b>
		£	£
	On bank loans and overdrafts	97,821	78,762
		<u>97,821</u>	<u>78,762</u>
<b>6</b>	<b>Taxation</b>	<b>2011</b>	<b>2010</b>
		£	£
	<b>Domestic current year tax</b>		
	U.K. corporation tax	61,263	66,410
	Adjustment for prior years	(11,435)	(3,442)
	<b>Total current tax</b>	<u>49,828</u>	<u>62,968</u>
	<b>Deferred tax</b>		
	Deferred tax charge - current year	9,417	17,919
	Adjustment for prior years	2,630	4,775
		<u>12,047</u>	<u>22,694</u>
		<u>61,875</u>	<u>85,662</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>291,930</u>	<u>307,373</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2010 - 21.00%)	<u>58,386</u>	<u>64,548</u>
	Effects of:		
	Non deductible expenses	1,045	225
	Depreciation add back	44,394	44,509
	Capital allowances	(40,395)	(43,085)
	Adjustments to previous periods	(11,435)	(3,442)
	Deferred revenue expenditure	(3,645)	-
	Other tax adjustments	1,478	213
		<u>(8,558)</u>	<u>(1,580)</u>
	<b>Current tax charge for the year</b>	<u>49,828</u>	<u>62,968</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

7 Tangible fixed assets

	Heritable property £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 3 October 2010	9,641,356	1,121,905	10,763,261
Additions	404,784	289,272	694,056
	<u>          </u>	<u>          </u>	<u>          </u>
At 1 October 2011	10,046,140	1,411,177	11,457,317
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>			
At 3 October 2010	67,848	395,088	462,936
Charge for the year	30,134	191,836	221,970
	<u>          </u>	<u>          </u>	<u>          </u>
At 1 October 2011	97,982	586,924	684,906
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>			
At 1 October 2011	9,948,158	824,253	10,772,411
	<u>          </u>	<u>          </u>	<u>          </u>
At 2 October 2010	9,573,508	726,817	10,300,325
	<u>          </u>	<u>          </u>	<u>          </u>

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

	Fixtures, fittings & equipment £
<b>Net book values</b>	
At 1 October 2011	-
	<u>          </u>
At 2 October 2010	11,447
	<u>          </u>
<b>Depreciation charge for the year</b>	
At 1 October 2011	11,447
	<u>          </u>
At 2 October 2010	11,448
	<u>          </u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

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<b>8</b>	<b>Stocks</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Finished goods and goods for resale	85,612	79,178
		<u>85,612</u>	<u>79,178</u>
<b>9</b>	<b>Debtors</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Trade debtors	921	11,678
	Corporation tax	-	3,442
	Other debtors	252,968	133,696
		<u>253,889</u>	<u>148,816</u>
<b>10</b>	<b>Creditors: amounts falling due within one year</b>	<b>2011</b>	<b>2010</b>
		<b>£</b>	<b>£</b>
	Bank loans and overdrafts	2,248,901	300,000
	Net obligations under finance leases	8,159	11,923
	Trade creditors	326,054	344,700
	Corporation tax	59,737	66,422
	Other taxes and social security costs	-	25,261
	Other creditors	193,347	348,856
	Accruals and deferred income	46,058	43,304
		<u>2,882,256</u>	<u>1,140,466</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

11 Creditors: amounts falling due after more than one year	2011 £	2010 £
Bank loans	384,469	2,133,656
Net obligations under finance leases	-	4,253
	<u>384,469</u>	<u>2,137,909</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	2,633,370	2,433,656
	2,633,370	2,433,656
Included in current liabilities	(2,248,901)	(300,000)
	<u>384,469</u>	<u>2,133,656</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	24,548	-
In more than two years but not more than five years	359,922	2,133,656
	<u>384,470</u>	<u>2,133,656</u>
<b>Net obligations under finance leases</b>		
Repayable within one year	8,159	11,923
Repayable between one and five years	-	4,253
	8,159	16,176
Included in liabilities falling due within one year	(8,159)	(11,923)
	<u>-</u>	<u>4,253</u>

The bank loans are secured by a standard security over the company's property assets and a 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, is due for repayment in July 2012. The directors have commenced initial discussions with the company's bankers to re-negotiate this loan, which they believe will be successful. Therefore, no adjustments are included in these financial statements in the event that negotiations are unsuccessful and they are prepared on a going concern basis. The auditors report refers to this matter on page 8.

Two further loans for £528,992 in total were due for repayment in August 2011 and subsequent to the year end the directors have agreed a new term loan with Royal Bank of Scotland plc for the total amount. Interest will accrue on this loan at a rate of 3.25% over LIBOR. Repayments will be by fixed monthly instalments along with a larger bullet payment as the final instalment.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

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**12 Provisions for liabilities**

	<b>Deferred tax liability</b>
	<b>£</b>
Balance at 3 October 2010	88,235
Profit and loss account	12,047
	<hr/>
Balance at 1 October 2011	<u>100,282</u>

The deferred tax liability is made up as follows:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>100,282</u>	<u>88,235</u>

**13 Share capital**

	<b>2011</b>	<b>2010</b>
	<b>£</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>Profit and loss account</b>
	<b>£</b>	<b>£</b>
Balance at 3 October 2010	3,191,825	654,354
Profit for the year	-	230,055
	<hr/>	<hr/>
Balance at 1 October 2011	<u>3,191,825</u>	<u>884,409</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

<b>15 Reconciliation of movements in shareholders' funds</b>	<b>2011</b>	<b>2010</b>
	£	£
Profit for the financial year	230,055	221,711
Opening shareholders' funds	7,596,179	7,374,468
	<u>                    </u>	<u>                    </u>
Closing shareholders' funds	7,826,234	7,596,179
	<u>                    </u>	<u>                    </u>
<b>16 Directors' remuneration</b>	<b>2011</b>	<b>2010</b>
	£	£
Remuneration for qualifying services	48,256	46,085
	<u>                    </u>	<u>                    </u>
<b>17 Employees</b>		
<b>Number of employees</b>		
The average monthly number of employees (including directors) during the year was:		
	<b>2011</b>	<b>2010</b>
	Number	Number
	3	3
	<u>                    </u>	<u>                    </u>
<b>Employment costs</b>	<b>2011</b>	<b>2010</b>
	£	£
Wages and salaries	48,256	46,085
	<u>                    </u>	<u>                    </u>
<b>18 Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>2011</b>	<b>2010</b>
	£	£
Operating profit	389,560	385,930
Depreciation of tangible assets	221,970	211,949
Increase in stocks	(6,434)	(9,840)
Increase in debtors	(108,515)	(45,651)
Decrease in creditors within one year	(196,662)	(78,328)
	<u>                    </u>	<u>                    </u>
<b>Net cash inflow from operating activities</b>	299,919	464,060
	<u>                    </u>	<u>                    </u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 1 OCTOBER 2011

19 Analysis of net debt	3 October 2010	Cash flow	Other non- cash changes	1 October 2011
	£	£	£	£
Net cash:				
Cash at bank and in hand	434,470	(353,141)	-	81,329
Debt:				
Finance leases	(16,176)	8,017	-	(8,159)
Debts falling due within one year	(300,000)	(1,948,901)	-	(2,248,901)
Debts falling due after one year	(2,133,656)	1,749,187	-	(384,469)
	(2,449,832)	(191,697)	-	(2,641,529)
<b>Net debt</b>	<b>(2,015,362)</b>	<b>(544,838)</b>	<b>-</b>	<b>(2,560,200)</b>

20 Reconciliation of net cash flow to movement in net debt	2011 £	2010 £
Decrease in cash in the year	(353,141)	(20,406)
Cash inflow from increase in debt and lease financing	(191,697)	(653,024)
<b>Movement in net debt in the year</b>	<b>(544,838)</b>	<b>(673,430)</b>
Opening net debt	(2,015,362)	(1,341,932)
<b>Closing net debt</b>	<b>(2,560,200)</b>	<b>(2,015,362)</b>



## THISTLE PUB COMPANY III PLC

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 1 OCTOBER 2011

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#### 21 Related party transactions

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

	2011	2010
	£	£
Maclay Inns Limited:		
Recharge of payroll costs	1,693,900	1,636,938
Recharge of directors remuneration	13,192	12,024
Provision of management services	386,797	361,960
	<u>                    </u>	<u>                    </u>

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

Maclay Inns Limited	(193,347)	(348,856)
	<u>                    </u>	<u>                    </u>

The company has entered into a contract with Maclay Inns Limited for the provision of management services. S G Mallon, a company director, is also a director of Maclay Inns Limited and Thistle Pub Company II plc.