

Company Registration No. SC306747 (Scotland)

THISTLE PUB COMPANY III PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
1 OCTOBER 2016

THISTLE PUB COMPANY III PLC

COMPANY INFORMATION

Directors	P F Theakston D C McIntyre D J S C Low
Secretary	HMS Secretaries Limited
Company number	SC306747
Registered office	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HB
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG
Bankers	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
Solicitors	Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow Scotland G1 3PE Kergan Stewart LLP 163 Bath Street Glasgow G2 4SQ

THISTLE PUB COMPANY III PLC

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 1 OCTOBER 2016

I am pleased to report that this has been a settled and solid year of trading for the Company following the previous years' disturbance caused by the Maclay Inns insolvency. I am also able to report that a further £60,107 has been reflected in the current year as being recovered from the Liquidators taking the total recovery to £306,225. I believe this payment now draws a line under the whole affair.

The primary focus during the year has been to manage our seven pubs in the best possible way according to their individual needs and opportunities. LT Management, as our management company, has given close and diligent attention to the mass of detail that the proper conduct of a managed house requires, and above all, has sustained and encouraged the excellent staff that makes all of our pubs great places for our customers to visit. My thanks go to them for all their good work.

The fruits of that good work show in the results for the year despite challenging trading conditions in the Scottish market. Turnover for the year at £5,860,583 improved by 4% compared to the previous year. We had minimal increases in our overall variable costs which, together with a reduction in our fixed costs, led to an increase in our estate contribution of some £100,669 to £664,452, an 18% improvement. With wages and salaries being a significant proportion of our operating costs, and with upward pressure from the minimum and living wage legislation, it's my view that this is a good outcome.

Our overall result for the year produced a pre-tax profit of £410,386 compared with last year's outcome of £222,529, an 84% increase. Without the exception of the Maclay contribution, the underlying improvement still represents a 15% increase on last year's outcome.

Turning to the Balance Sheet, our current account cash increased to £858,523 this year from £543,083 last year. This demonstrates that we are a cash generative business, which saving significant capital expenditure and with a continuing focus on controlling costs and increasing turnover will significantly increase our cash reserves to allow us to further develop the Company. The net debt decreased by £434,022 to £1,203,107, therefore we believe we are in a strong position to go forward.

Recognising the performance of the Company your directors are recommending a dividend for the year of 1.5 pence, an increase of some 15% on the previous year.

After ten years as a director, the last three as chairman, Alan Stewart decided the time was right to retire as a director in October 2016. During his time as chairman he steered the Company through the threatening period that followed the Maclay Inns insolvency. His long corporate experience and wisdom proved invaluable in maintaining a stable position during a difficult period. As his successor as Chairman, I shall aim to continue his good work and build on it, albeit without his inimitable style! My thanks go to him for his massive contribution to the Company during his time as Chairman.

Reflecting our desire to grow and develop the Company, David Low joined the Board in October 2016. David has many years' experience of capital markets and the leisure sector and will bring those attributes to bear to help take the Company forward.

Following a review of the Company's share dealing facility with Assetmatch.com the Board has decided to move to monthly share auctions immediately following our AGM. It is anticipated that this will improve the liquidity of the Company's shares and provide a more efficient market for any shareholders considering disposing of their shares. It was also apparent that a number of shareholders found the facility confusing and difficult to access. Consequently, an explanatory note on the facility is provided with this Report and Accounts. Information will also be available on the Company's corporate website at www.Thistle3.co.uk.

Over the coming months your directors will be carrying out a review of the Company's operations and will keep shareholders notified of any significant developments as they occur.

We are looking to change the way we communicate with our shareholders from sending you hard copy documents in the post to sending documents electronically and by way of website publication. One of the main benefits of doing so is that it saves printing and postage costs for the Company. A letter explaining this in more detail together with a form to complete is enclosed.

In addition, it is proposed to change the name of the Company to 'Three Thistles plc' primarily to avoid confusion with our former sister company Thistle Pub Company II Plc, which is currently in Members' Voluntary Liquidation.

THISTLE PUB COMPANY III PLC

CHAIRMAN'S REPORT (CONTINUED)

FOR THE YEAR ENDED 1 OCTOBER 2016

Finally, I want to directly thank the managers and all the staff of our pubs. They are in the front line. They are the ones whose welcome make our customers happy and encourages them to visit the pub again and again. They are the ones who make the business go forward. A big thank you to all of you for your efforts.

Paul Theakston
Chairman
20 December 2016

THISTLE PUB COMPANY III PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 1 OCTOBER 2016

The directors present the strategic report for the year ended 1 October 2016.

Fair review of the business

Total turnover amounted to £5,860,583 (2015: £5,650,274). Operating profit after the cost of Manager services is £408,130 (2015: £387,045), an increase of 5% in comparison to the prior year. Profit before tax and after exceptional items of £410,386 (2015: £222,529) represents an 84% increase on the prior year.

Net assets have increased in the year to £8,932,279 (2015: £8,638,879) and the Directors consider this to be a creditable performance in difficult market conditions. The Company has net debt of £1,203,107 (2015: £1,637,129).

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. Confidence in the economy 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 economic fluctuations.

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.

THISTLE PUB COMPANY III PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 1 OCTOBER 2016

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.

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.

THISTLE PUB COMPANY III PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 1 OCTOBER 2016

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.

On behalf of the board

D C McIntyre

Director

20 December 2016

THISTLE PUB COMPANY III PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 1 OCTOBER 2016

The directors present their annual report and financial statements for the year ended 1 October 2016.

Principal activities

The principal activity of the company continued to be that of the owner of public houses across Scotland.

Directors

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

A G Stewart	(Resigned 13 October 2016)
P F Theakston	
D C McIntyre	
D J S C Low	(Appointed 1 October 2016)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £97,500. The directors recommend a dividend of 1.5 pence per Ordinary Share (£112,500).

Future developments

Positive discussions have taken place with the bank about renewing the bank loan.

Auditor

RSM UK Audit LLP have indicated their willingness to remain in office as auditors of the Company.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

On behalf of the board

D C McIntyre

Director

20 December 2016

THISTLE PUB COMPANY III PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 1 OCTOBER 2016

The directors are responsible for preparing the Strategic Report and 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THISTLE PUB COMPANY III PLC

We have audited the financial statements on pages 9 to 24. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 October 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

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THISTLE PUB COMPANY III PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 1 OCTOBER 2016

		2016	2015
	Notes	£	£
Turnover	3	5,860,583	5,650,274
Cost of sales		(4,655,800)	(4,524,621)
Gross profit		1,204,783	1,125,653
Establishment expenses		(540,331)	(561,870)
Administrative expenses		(256,322)	(176,738)
Operating profit	4	408,130	387,045
Interest receivable and similar income	8	1,050	330
Interest payable and similar charges	9	(58,901)	(82,579)
Exceptional items	10	60,107	(82,267)
Profit on ordinary activities before taxation		410,386	222,529
Taxation	11	(19,486)	(57,931)
Profit for the financial year	25	390,900	164,598

THISTLE PUB COMPANY III PLC

STATEMENT OF FINANCIAL POSITION AS AT 1 OCTOBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Tangible assets	13	10,816,856		10,809,711	
Investments	14		1		-
			10,816,857		10,809,711
Current assets					
Stocks	15	100,336		84,066	
Debtors	16	197,963		375,646	
Cash at bank and in hand		858,523		543,083	
			1,156,822		1,002,795
Creditors: amounts falling due within one year	17	(1,099,087)		(1,039,949)	
Net current assets/(liabilities)			57,735		(37,154)
Total assets less current liabilities			10,874,592		10,772,557
Creditors: amounts falling due after more than one year	18	(1,881,630)		(2,000,212)	
Provisions for liabilities	22	(60,683)		(133,466)	
Net assets			8,932,279		8,638,879
Capital and reserves					
Called up share capital	23	3,750,000		3,750,000	
Share premium account	24	3,191,825		3,191,825	
Profit and loss reserves	25	1,990,454		1,697,054	
Total equity			8,932,279		8,638,879

The financial statements were approved by the board of directors and authorised for issue on 20 December 2016 and are signed on its behalf by:

D C McIntyre
Director

THISTLE PUB COMPANY III PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 1 OCTOBER 2016

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 28 September 2014		3,750,000	3,191,825	1,532,456	8,474,281
Year ended 3 October 2015:					
Profit and total comprehensive income for the year		-	-	164,598	164,598
Balance at 3 October 2015		3,750,000	3,191,825	1,697,054	8,638,879
Year ended 1 October 2016:					
Profit and total comprehensive income for the year		-	-	390,900	390,900
Dividends	12	-	-	(97,500)	(97,500)
Balance at 1 October 2016		<u>3,750,000</u>	<u>3,191,825</u>	<u>1,990,454</u>	<u>8,932,279</u>

THISTLE PUB COMPANY III PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 1 OCTOBER 2016

		2016		2015	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	27		833,332		514,280
Interest paid			(58,901)		(82,579)
Income taxes paid			(36,120)		(34,668)
			<u> </u>		<u> </u>
Net cash inflow from operating activities			738,311		397,033
Investing activities					
Purchase of tangible fixed assets		(213,596)		(118,425)	
Proceeds on disposal of tangible fixed assets		5,758		-	
Purchase of subsidiaries		(1)		-	
Interest received		1,050		330	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(206,789)		(118,095)
Financing activities					
Repayment of bank loans		(118,582)		(136,418)	
Dividends paid		(97,500)		-	
		<u> </u>		<u> </u>	
Net cash used in financing activities			(216,082)		(136,418)
Net increase in cash and cash equivalents			315,440		142,520
Cash and cash equivalents at beginning of year			543,083		400,563
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			858,523		543,083
			<u> </u>		<u> </u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1 OCTOBER 2016

1 Accounting policies

Company information

Thistle Pub Company III plc is a company limited by shares incorporated in Scotland. The registered office is Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HB.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements are the first financial statements of Thistle Pub Company III plc prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Thistle Pub Company III plc for the year ended 3 October 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102. The date of transition is 28 September 2014.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Positive discussions have taken place with the bank about renewing the bank loan. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

1 Accounting policies (Continued)

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover analysed by class of business		
Liquor sales	3,417,326	3,263,042
Food sales	2,256,634	2,207,367
Other income	117,690	117,372
Gaming income	68,933	62,493
	<u>5,860,583</u>	<u>5,650,274</u>

Other revenue

Interest income	1,050	330
	<u>1,050</u>	<u>330</u>

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	5,860,583	5,650,274
	<u>5,860,583</u>	<u>5,650,274</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	200,693	230,580
Cost of stocks recognised as an expense	1,829,751	1,809,409
	<u>2,030,444</u>	<u>2,039,989</u>

5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	9,850	8,000
	<u>9,850</u>	<u>8,000</u>
For other services		
All other non-audit services	5,600	3,150
	<u>5,600</u>	<u>3,150</u>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Directors	3	2

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	79,994	58,220

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	79,994	58,220

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	949	330
Other interest income	101	-
Total income	1,050	330

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	949	330
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9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	58,901	82,579

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

10 Exceptional items

	2016 £	2015 £
Overall net income/(cost) of bad debt	60,107	(82,267)

11 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	100,212	61,063
Adjustments in respect of prior periods	(7,943)	(6,546)
Total current tax	92,269	54,517
Deferred tax		
Origination and reversal of timing differences	(17,975)	3,414
Adjustment in respect of prior periods	(54,808)	-
Total deferred tax	(72,783)	3,414
Total tax charge	19,486	57,931

The charge for the year can be reconciled to the profit per the income statement as follows:

	2016 £	2015 £
Profit before taxation	410,386	222,529
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	82,077	44,506
Tax effect of expenses that are not deductible in determining taxable profit	2,492	1,850
Change in unrecognised deferred tax assets	(10,709)	3,414
Adjustments in respect of prior years	(7,943)	(6,546)
Permanent capital allowances in excess of depreciation	8,397	19,171
Deferred tax adjustments in respect of prior years	(54,808)	-
	(20)	(4,464)
Tax expense for the year	19,486	57,931

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

12 Dividends

	2016 £	2015 £
Interim paid	97,500	-

13 Tangible fixed assets

	Heritable property £	Fixtures, fittings and equipment £	Total £
Cost			
At 4 October 2015	10,429,773	1,891,486	12,321,259
Additions	148,491	65,105	213,596
Disposals	-	(5,758)	(5,758)
At 1 October 2016	10,578,264	1,950,833	12,529,097
Depreciation and impairment			
At 4 October 2015	227,433	1,284,115	1,511,548
Depreciation charged in the year	39,510	161,183	200,693
At 1 October 2016	266,943	1,445,298	1,712,241
Carrying amount			
At 01 October 2016	10,311,321	505,535	10,816,856
At 03 October 2015	10,202,340	607,371	10,809,711

14 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries		1	-

During the year Thistle Pub Company III Plc acquired 100% of the share capital of Three Thistles Limited which has not traded.

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

14 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 4 October 2015	-
Additions	1
	<hr/>
At 1 October 2016	1
	<hr/>
Carrying amount	
At 01 October 2016	1
	<hr/> <hr/>
At 03 October 2015	-
	<hr/> <hr/>

15 Stocks

	2016 £	2015 £
Finished goods and goods for resale	100,336	84,066
	<hr/> <hr/>	<hr/> <hr/>

16 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	22	270
Other debtors	197,941	375,376
	<hr/>	<hr/>
	197,963	375,646
	<hr/> <hr/>	<hr/> <hr/>

17 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	20	180,000	180,000
Trade creditors		444,173	510,100
Corporation tax		100,207	44,058
Other taxation and social security		182,341	182,625
Other creditors		1	4,274
Accruals and deferred income		192,365	118,892
		<hr/>	<hr/>
		1,099,087	1,039,949
		<hr/> <hr/>	<hr/> <hr/>

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

18 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	20	1,881,630	2,000,212

19 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	197,963	375,646
Equity instruments measured at cost less impairment	1	-
Carrying amount of financial liabilities		
Measured at amortised cost	2,698,169	2,813,478

20 Borrowings

	2016 £	2015 £
Bank loans	2,061,630	2,180,212
Payable within one year	180,000	180,000
Payable after one year	1,881,630	2,000,212

The long-term loans are secured by fixed charges over the Company's property assets and a bond and floating charge over the Company's assets in favour of the Royal Bank of Scotland plc.

On 27 July 2015, the company renegotiated the loan agreement with The Royal Bank of Scotland plc. The loan of £2.2m is repayable by quarterly instalments, with the final instalment due on 25 October 2017. Interest is charged at 2.5% per annum over Base Rate.

21 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	22	60,683	133,466

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016	Liabilities 2015
Balances:	£	£
Difference between accumulated depreciation and capital allowances.	60,683	133,466
	<u> </u>	<u> </u>
		2016
Movements in the year:		£
Liability at 4 October 2015		133,466
Credit to profit and loss		(72,783)
		<u> </u>
Liability at 1 October 2016		60,683
		<u> </u>

The deferred tax liability set out above is expected to reverse within 120 months and relates to accelerated capital allowances that are expected to mature within the same period.

23 Share capital

	2016	2015
	£	£
Ordinary share capital Issued and fully paid		
7,500,000 Ordinary of 50p each	3,750,000	3,750,000
	<u> </u>	<u> </u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at the general meetings of the Company,

24 Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

25 Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

26 Related party transactions

No guarantees have been given or received.

The total remuneration of directors who are considered to be the key management personnel of the company was £79,994 (2015: £58,220).

THISTLE PUB COMPANY III PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 1 OCTOBER 2016

27 Cash generated from operations

	2016	2015
	£	£
Profit for the year after tax	390,900	164,598
Adjustments for:		
Taxation charged	19,486	57,931
Finance costs	58,901	82,579
Investment income	(1,050)	(330)
Depreciation and impairment of tangible fixed assets	200,693	230,580
Movements in working capital:		
(Increase)/decrease in stocks	(16,270)	3,827
Decrease/(increase) in debtors	177,683	(208,295)
Increase in creditors	2,989	183,390
Cash generated from operations	833,332	514,280