

Company Registration No. SC133543 (Scotland)

MACLAY GROUP PLC
ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

THURSDAY



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COMPANIES HOUSE

Saffery Champness
CHARTERED ACCOUNTANTS

MACLAY GROUP PLC

COMPANY INFORMATION

Directors	E M P Denny The Rt Hon the Earl of Annandale and Hartfell K C Gilhespie S G Mallon
Secretary	S G Mallon
Company number	SC133543
Registered office	Unit 2/4 The e-Centre Cooperage Way Business Village Alloa FK10 3LP
Independent Auditors	Saffery Champness Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA
Bankers	Lloyds Banking Group plc (formerly Bank of Scotland) The Mound Edinburgh EH1 1YZ
Solicitors	Tods Murray Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG Brodies LLP 2 Blythswood Square Glasgow G2 4AD

MACLAY GROUP PLC

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MACLAY GROUP PLC

STRATEGIC REPORT FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

The directors present their strategic report for the period ended 1 February 2014.

Review of the business

Having regard to the longer reporting period, turnover is £13,582,197 (2012 - £10,435,249). Operating profit is £604,616 (2012 - £718,302), which is a decrease of 15.8% over the prior year, this reflects a transitional period for the Group with closures for refurbishment of several of the pubs in the estate. A loss before tax of £169,895 (2012 - £737,379) is reported for the period. However, the loss for the prior year is stated after a property impairment charge of £679,654.

Dividends were £277,043 (2012 - £8,716) and Group net assets decreased in the period to £3,136,823 (2012 - £3,594,535). The Group has net debt of £10,281,663, which is a result of significant investment in tangible fixed assets. The directors consider this to be a satisfactory performance in difficult market conditions.

Principal risks and uncertainties

The paragraphs below highlight some of the key risks and uncertainties which affect the Group but are not intended to be an exhaustive analysis of all risks facing the business.

1. Economic

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 and utilities. Property values are also impacted by the economic uncertainty.

Mitigation processes:

The board and the senior management team 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.

MACLAY GROUP PLC

STRATEGIC REPORT (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

2. Regulatory

Risks:

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

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

Mitigation processes:

Our strategy continues to address the need to diversify our business, with increasing emphasis on food within our pubs. We are committed to acting as a responsible retailer and are actively engaging with government to ensure that it recognises our belief that the safest and most responsible place to consume alcohol is in well-managed licensed on-trade premises.

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

3. Supply chain risks

Risks:

We work 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:

We 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. We regularly review 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 we would be able to source alternative supply arrangements should one of our suppliers cease to trade.

MACLAY GROUP PLC

STRATEGIC REPORT (continued)

FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

4. Financial and systems controls risks

Risks:

It is vital to the business that it continues to meet the financial covenants in place and to ensure that there is sufficient short term financing to meet its business needs. The company is exposed to interest rate risk on the variable rate components of its financing. It is also reliant on maintaining sound systems of internal control and on its information systems and technology to ensure the smooth operation of the business without risk of fraud or material error.

Mitigation processes:

We constantly monitor our performance against our financial covenants and undertake 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:

We aim 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.

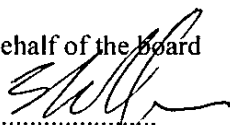
Key performance indicators

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

The Group considers its key performance indicators to be:

- Sales performance - in the current period this has increased by 30.2% on the prior year. Like for like sales increased by 1.3% on the prior year.
- Gross profit percentage - this has decreased from 18.0% in the prior year to 15.5% in the current period.
- Profit before tax percentage - this has improved from a loss before tax of 7.1% to a loss before tax of 1.3% in the period under review.
- Average profit per pub - this has increased by 6.2% on the prior year.
- Employee turnover - on an annualised basis, this has reduced by 4% in the period.

On behalf of the board



S G Mallon

Director

..... 19.6.2014

MACLAY GROUP PLC

DIRECTORS' REPORT FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

The directors present their report and financial statements for the 16 month period ended 1 February 2014.

Principal activities

Maclay Group plc ("the company") and its subsidiary companies (together, "the Group") own and manage public houses, inns and hotels across Scotland. Its units are owned by its main subsidiary company, Maclay Inns Limited. Maclay Inns Limited conducts the management function for all units owned within the Group. It also manages similar units for Thistle Pub Company II plc and Thistle Pub Company III plc, in which the Group has an interest.

The Group changed its accounting date from 29 September 2013 to 1 February 2014.

Results and dividends

The consolidated profit and loss account for the period is set out on page 8.

The results for the period and the financial position at the period end were considered satisfactory by the directors who expect growth in the foreseeable future.

£476,862 (2012 - £783,543) will be transferred from the Group's reserves to meet the deficit after the declaration of equity dividends of £277,043 in respect of the period (2012 - £8,716).

Future developments

The markets in which the Group operates remain competitive and fast changing. The Group continues to invest in refurbishing its units and training its staff as the directors regard it as integral to the future success of the Group that it provides facilities and services which meet customers' expectations.

Directors

The following directors have held office since 30 September 2012:

E M P Denny
The Rt Hon the Earl of Annandale and Hartfell
K C Gilhespie
S G Mallon

Employee involvement

The Group has arrangements in place for keeping employees fully up to date as to all major developments. This is done primarily by means of meetings and written updates.

Disabled persons

The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

MACLAY GROUP PLC

DIRECTORS' REPORT (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

Auditors

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

MJ Floyd, a partner in Saffery Champness, auditors to the company, has a non-beneficial interest in the company, as a Trustee of a Trust that holds 153,200 ordinary 'A' shares (2012 - 153,200) and 17,000 ordinary 'B' shares (2012 - 17,000) in the immediate controlling parent company, Matthews One Limited, at the balance sheet date.

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 period. 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 group and of the profit or loss of the group 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 group 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 the group 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 the group 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 Group'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 Group's auditors are aware of that information.

On behalf of the board



S G Mallon
Director

19.6.2014

MACLAY GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACLAY GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of Maclay Group plc for the period ended 1 February 2014 set out on pages 8 to 34. 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. 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 group's and parent company's affairs as at 1 February 2014 and of the group's loss for the period 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

MACLAY GROUP PLC

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF MACLAY GROUP PLC**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



**Michael Di Leto (Senior Statutory Auditor)
for and on behalf of Saffery Champness**

26.6.2014
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**Chartered Accountants
Statutory Auditors**

Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9BA

MACLAY GROUP PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

	Notes	2014 £	2012 £
Turnover		13,582,197	10,435,249
Cost of sales		(11,473,737)	(8,553,275)
Gross profit		2,108,460	1,881,974
Administrative expenses		(1,784,357)	(1,378,639)
Other operating income		280,513	214,967
Operating profit	4	604,616	718,302
Impairment of property	4	-	(679,654)
Share of joint venture loss	10	(89,985)	-
Profit on ordinary activities before interest		514,631	38,648
Interest payable and similar charges	5	(684,526)	(776,027)
Loss on ordinary activities before taxation		(169,895)	(737,379)
Tax on loss on ordinary activities	6	(29,924)	(37,448)
Loss on ordinary activities after taxation		(199,819)	(774,827)

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

The notes on pages 12 to 34 form part of these financial statements.

MACLAY GROUP PLC

**STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

	2014	2012
	£	£
Loss for the financial period	(199,819)	(774,827)
Unrealised deficit on revaluation of properties	-	(3,250,788)
Total recognised gains and losses relating to the period	<u>(199,819)</u>	<u>(4,025,615)</u>

Note of historical cost profits and losses

	2014	2012
	£	£
Reported loss on ordinary activities before taxation	(169,895)	(737,379)
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	<u>184,100</u>	<u>124,509</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>14,205</u>	<u>(612,870)</u>
Historical cost loss for the period retained after taxation and dividends	<u>(292,762)</u>	<u>(659,034)</u>

MACLAY GROUP PLC

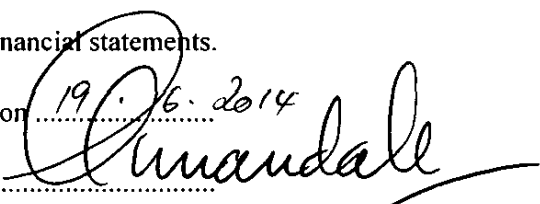
**BALANCE SHEETS
AS AT 1 FEBRUARY 2014**

		Group		Company	
		2014	2012	2014	2012
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9	14,342,563	13,434,822	-	-
Investments	10	745,826	745,826	3,487,858	3,487,858
		<u>15,088,389</u>	<u>14,180,648</u>	<u>3,487,858</u>	<u>3,487,858</u>
Current assets					
Stocks	11	180,795	182,587	-	-
Debtors	12	716,117	1,361,298	2,073,060	2,360,973
Cash at bank and in hand		-	641,390	-	-
		<u>896,912</u>	<u>2,185,275</u>	<u>2,073,060</u>	<u>2,360,973</u>
Creditors: amounts falling due within one year	13	(12,186,122)	(2,333,448)	(37,975)	(52,985)
Net current liabilities		<u>(11,289,210)</u>	<u>(148,173)</u>	<u>2,035,085</u>	<u>2,307,988</u>
Total assets less current liabilities		<u>3,799,179</u>	<u>14,032,475</u>	<u>5,522,943</u>	<u>5,795,846</u>
Creditors: amounts falling due after more than one year	14	(299,891)	(10,108,457)	(299,891)	(299,891)
Provisions for liabilities	15	(362,465)	(329,483)	-	-
		<u>3,136,823</u>	<u>3,594,535</u>	<u>5,223,052</u>	<u>5,495,955</u>
Capital and reserves					
Called up share capital	16	319,150	300,000	319,150	300,000
Share premium account	17	2,026,000	2,026,000	2,026,000	2,026,000
Revaluation reserve	17	2,505,408	2,505,408	-	-
Profit and loss account	17	(1,713,735)	(1,236,873)	2,877,902	3,169,955
Shareholders' funds	18	<u>3,136,823</u>	<u>3,594,535</u>	<u>5,223,052</u>	<u>5,495,955</u>

The notes on pages 12 to 34 form part of these financial statements.

Approved by the Board and authorised for issue on 19.06.2014


S G Mallon
Director


The Rt Hon the Earl of Annandale and Hartfell
Director

Company Registration No. SC133543

MACLAY GROUP PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

			2014	2012
	Note	£	£	£
Net cash inflow from operating activities	24		2,045,986	1,013,983
Returns on investments and servicing of finance				
Interest paid		(669,516)	(761,017)	
Non equity dividends paid		<u>(15,010)</u>	<u>(15,010)</u>	
Net cash outflow for returns on investments and servicing of finance			(684,526)	(776,027)
Taxation paid			(29,963)	(36,107)
Capital expenditure and financial investment				
Payments to acquire tangible assets		(1,688,091)	(364,374)	
Payments to acquire investments		<u>-</u>	<u>(52,877)</u>	
Net cash outflow for capital expenditure			(1,688,091)	(417,251)
Equity dividends paid			<u>(277,043)</u>	<u>(8,716)</u>
Net cash outflow before management of liquid resources and financing			(633,637)	(224,118)
Financing				
Issue of ordinary share capital		<u>19,150</u>	<u>2,100,000</u>	
Repayment of bank loan		(500,000)	(500,000)	
Capital element of hire purchase contracts		<u>-</u>	<u>(1,244)</u>	
Decrease in debt		<u>(500,000)</u>	<u>(501,244)</u>	
Net cash (outflow)/inflow from financing			<u>(480,850)</u>	<u>1,598,756</u>
(Decrease)/increase in cash in the period	25, 26		<u><u>(1,114,487)</u></u>	<u><u>1,374,638</u></u>

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain tangible fixed assets.

The Group finances its working capital requirements through an overdraft facility (which is repayable on demand) and term loan facilities with Lloyds Banking Group plc. The Group balance sheet shows net current liabilities at the balance sheet date. The term loan facility was repayable in October 2013 although a new facility was not formally agreed until 11 February 2014, after the Group's period end.

The directors have prepared projected cash flow and budget information for the period ending 12 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the group's bankers, the directors consider that the Group will continue to operate within the agreed facility. The Group generates surplus cash sufficient to cover debt and interest repayments and continues to enjoy the support of their bankers.

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 overdraft and loan facilities.

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.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 1 February 2014. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable from the sale of goods within the group's public houses, inns and hotels. The group also provides management services to related parties and receives income accordingly.

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

1 Accounting policies

(continued)

1.5 Tangible fixed assets and depreciation

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

Heritable property	2% straight line
Leasehold property	Straight line over the length of the lease
Fixtures, fittings & equipment	18% reducing balance

Heritable property is valued on a regular basis in accordance with Financial Reporting Standard 15 'Tangible Fixed Assets'. Revaluation surpluses on individual units are allocated to the revaluation reserve, whilst any impairments are recognised in the profit and loss account once any prior revaluation surplus for that unit is fully exhausted.

The cost of leasehold property is the cost of acquiring the lease together with the cost of improvements undertaken.

1.6 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stock

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

1.9 Pensions

The Group contributes to a defined contribution grouped pension arrangement of pension plans. The assets are held in 3rd party ownership on behalf of individuals. The pension cost charge represents contributions paid by the Group of companies to the arrangement during the year.

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

1 Accounting policies

(continued)

1.10 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 reporting entity has entered into a binding agreement to sell the revalued assets and recognised the gains and 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.

1.11 Preference shares

Redeemable preference shares are included in the financial statements as a liability under the provisions of Financial Reporting Standard 25. The redemption value of these shares is higher than the nominal value. The difference is treated as a finance cost and recognised in the profit and loss account on a straight line basis in accordance with the expected term of the shares. Dividends payable on these shares are also treated as a finance cost as they are incurred. Non-redeemable preference shares are included in the financial statements as share capital and dividends payable on these shares are treated as equity dividends.

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

2 Segmental analysis by class of business

The analysis by class of business of the Group's turnover, loss before taxation and net assets is set out as below:

Turnover	2014 £	2012 £
Class of business		
Ownership & management of public houses & hotels	<u>13,582,197</u>	<u>10,435,249</u>
Profit / (loss) before taxation		
Class of business		
Ownership & management of public houses & hotels	(154,885)	(722,369)
Holding company	<u>(15,010)</u>	<u>(15,010)</u>
	<u>(169,895)</u>	<u>(737,379)</u>
Net assets		
Class of business		
Ownership & management of public houses & hotels	3,504,409	3,947,111
Holding company	<u>(367,586)</u>	<u>(352,576)</u>
	<u>3,136,823</u>	<u>3,594,535</u>

3 Segmental analysis by geographical area

The analysis by geographical area of the group's income is set out as below:

Geographical segment		
United Kingdom	13,582,197	10,435,249
Canada	<u>280,513</u>	<u>214,967</u>
	<u>13,862,710</u>	<u>10,650,216</u>

MACLAY GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

4	Operating profit	2014	2012
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	780,350	557,312
	Operating lease rentals	22,073	29,458
	Auditors' remuneration		
	- Parent company audit fee	26,000	20,500
	- Subsidiary undertakings audit fees	15,500	18,200
	- Taxation services	10,400	10,000
	- Other services	10,100	61,700

Exceptional operating items

The Group's heritable property assets were revalued in 2012, resulting in an impairment charge of £679,654. No such impairment exists in the current period.

5	Interest payable	2014	2012
		£	£
	On bank loans and overdrafts	669,516	761,017
	Other interest	15,010	15,010
		<u>684,526</u>	<u>776,027</u>

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

6 Taxation	2014	2012
	£	£
Domestic current year tax		
U.K. corporation tax	-	30,221
Adjustment for prior years	(3,058)	328
Total current tax	(3,058)	30,549
Deferred tax		
Deferred tax - current period	32,972	6,871
Deferred tax - prior year	10	28
	<u>29,924</u>	<u>37,448</u>
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	<u>(169,895)</u>	<u>(737,379)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2012 - 20.00%)	<u>(33,979)</u>	<u>(147,476)</u>
Effects of:		
Non deductible expenses	4,271	21,035
Depreciation add back	156,070	111,462
Capital allowances	(105,674)	(64,835)
Adjustments for previous periods	(3,058)	328
Small profits and double taxation reliefs	(31,168)	(23,885)
Property impairment	-	135,931
Deferred revenue expenditure	(10,519)	(4,550)
Other tax adjustments	20,999	2,539
	<u>30,921</u>	<u>178,025</u>
Current tax charge for the period	<u>(3,058)</u>	<u>30,549</u>

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

7 Loss for the financial period

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial period is made up as follows:

	2014 £	2012 £
Holding company's loss for the financial period	<u>(15,010)</u>	<u>(15,010)</u>

8 Dividends

	2014 £	2012 £
Ordinary interim	<u>277,043</u>	<u>8,716</u>

The parent company declared equity dividends of £277,043 (2012 - £8,716) in the period.

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

9 Tangible fixed assets

Group

	Heritable property	Leasehold property	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost or valuation				
At 30 September 2012	11,360,300	442,687	4,303,385	16,106,372
Additions	866,091	-	822,000	1,688,091
At 1 February 2014	12,226,391	442,687	5,125,385	17,794,463
Depreciation				
At 30 September 2012	-	-	2,671,550	2,671,550
Charge for the period	369,560	20,654	390,136	780,350
At 1 February 2014	369,560	20,654	3,061,686	3,451,900
Net book value				
At 1 February 2014	11,856,831	422,033	2,063,699	14,342,563
At 29 September 2012	11,360,300	442,687	1,631,835	13,434,822

Land and buildings were valued at 29 September 2012 by the directors after taking account of the advice of two external valuers, Christie & Co and CDLH Surveyors. The valuations were carried out by valuers who meet the requirements of the RICS Appraisal and Valuation Standards.

No external valuation was carried out at the current balance sheet date. The directors believe the current values are appropriate.

Additions in the period are included at cost.

The leasehold property held at the balance sheet date consists of properties whose remaining lease term expire in 50 years or less.

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

9 Tangible fixed assets (continued)

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 30 September 2012	11,340,355
Additions	866,091
At 1 February 2014	<u>12,206,446</u>
Depreciation based on cost	
At 30 September 2012	1,265,020
Charge for the period	206,114
At 1 February 2014	<u>1,471,134</u>
Net book value	
At 1 February 2014	<u><u>10,735,312</u></u>
At 29 September 2012	<u><u>10,075,335</u></u>

The parent company does not own any tangible fixed assets.

**10 Fixed asset investments
Group**

	Listed investments £	Unlisted investments £	Total £
Cost			
At 30 September 2012 & at 1 February 2014	<u>124</u>	<u>745,702</u>	<u>745,826</u>

The quoted value of the listed investments at 1 February 2014 was £749 (2012 - £444)

The unlisted investments represent minority interest shareholdings in Thistle Pub Company II plc and Thistle Pub Company III plc as well as a 47% shareholding in Thistle Pub Company Limited. In the opinion of the directors the realisable value of these investments are not materially lower than their stated cost at the balance sheet date.

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

10 Fixed asset investments (continued) Company

	Unlisted investments £	Shares in group undertakings £	Total £
Cost or valuation			
At 30 September 2012	300	3,487,558	3,487,858
Additions	-	-	-
At 1 February 2014	300	3,487,558	3,487,858

In the opinion of the directors, the aggregate value of the company's fixed asset investments are not less than the amount included in the balance sheet.

The company holds more than 20% of the share capital of the following companies:

Company name	Country of incorporation	Nature of business	Share description	Number of shares held	Proportion of share capital held
Subsidiary undertakings					
Maclay Inns Limited	Scotland	Ownership & management of public houses	Ordinary shares of £1 each	1,365,000	100%
Second Maclay Pub Company plc	Scotland	Dormant	Ordinary shares of 50p each	1,000,004	100%
Maclay Wholesalers Limited	Scotland	Dormant	Ordinary shares of 10p each	636,760	100%
Stebruc Limited	England	Dormant	Ordinary shares of 50p each	1,959,200	100%
First Maclay Pub Company plc	Scotland	Dormant	Ordinary shares of 20p each	400,003	100%
Third Maclay Pub Company Limited	Scotland	Dormant	Ordinary shares of 50p each	489,504	100%
Euro Ales Limited	Scotland	Dormant	Ordinary shares of 10p each	105,262	100%
Other significant interests					
Thistle Pub Company Limited	Scotland	Ownership & management of public houses	Ordinary shares of £1 each	300	47%

MACLAY GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014****10 Fixed asset investments (continued)
Group**

The unlisted investment of £300 represents the Group's 47% joint venture investment in Thistle Pub Company Limited, which began trading during the current period.

The Group's share of the joint venture's performance during the period is as follows:

	2014 £
Thistle Pub Company Limited	
Turnover	520,091
Operating loss	(69,038)
Interest	(20,947)
Share of joint venture's loss	<u>(89,985)</u>
 Fixed assets	 1,355,444
Current assets	<u>31,998</u>
 Share of joint venture's gross assets	 <u>1,387,442</u>
 Creditors due within one year	 (320,663)
Creditors due after one year	<u>(1,156,764)</u>
 Share of joint venture's gross liabilities	 <u>(1,477,427)</u>
 Share of joint venture's net liabilities	 <u>(89,985)</u>
 Total due from Thistle Pub Company Limited is represented as:	
Due from Thistle Pub Company Limited	467,042
Share of loss for the period	<u>(89,985)</u>
 Included within "Other debtors" (Note 12)	 <u>377,057</u>

11 Stocks

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Finished goods and goods for resale	<u>180,795</u>	<u>182,587</u>	<u>-</u>	<u>-</u>

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

12 Debtors

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Trade debtors	-	7,982	-	-
Amounts owed by group undertakings	-	-	2,069,868	2,360,973
Corporation tax	2,259	-	-	-
Other debtors	380,222	515,978	3,192	-
Prepayments and accrued income	333,636	837,338	-	-
	<u>716,117</u>	<u>1,361,298</u>	<u>2,073,060</u>	<u>2,360,973</u>

13 Creditors : amounts falling due within one year

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Bank loans and overdrafts	10,281,663	500,000	-	-
Trade creditors	663,141	683,774	-	-
Corporation tax	-	30,762	-	-
Taxes and social security costs	625,140	550,953	-	-
Other creditors	200,192	64,885	37,975	37,975
Accruals and deferred income	415,986	503,074	-	15,010
	<u>12,186,122</u>	<u>2,333,448</u>	<u>37,975</u>	<u>52,985</u>

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

14 Creditors : amounts falling due after more than one year

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Bank loans	-	9,808,566	-	-
Preference shares (note 16)	299,891	299,891	299,891	299,891
	<u>299,891</u>	<u>10,108,457</u>	<u>299,891</u>	<u>299,891</u>
Analysis of loans				
Wholly repayable within five years	9,808,566	10,308,566	-	-
Included in current liabilities	(9,808,566)	(500,000)	-	-
	<u>-</u>	<u>9,808,566</u>	<u>-</u>	<u>-</u>
Repayable in more than one year but not more than two years	<u>-</u>	<u>9,808,566</u>	<u>-</u>	<u>-</u>

The bank loans and overdrafts are secured by a standard security over certain Group properties and by a floating charge over all of the assets of the Group. There is a corporate guarantee in place between all Group companies. The company has a given guarantee to Lloyds Banking Group plc for all the obligations of its subsidiary companies.

The Term Loan of £10,308,566 was repayable in October 2013. A new £10,050,000 term loan facility was formally agreed with the bank on 11 February 2014. Interest is accrued on this facility at a margin over LIBOR.

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

15 Provisions for liabilities and charges
Group

	Deferred taxation £
Balance at 30 September 2012	329,483
Profit and loss account	32,982
	<hr/>
Balance at 1 February 2014	<u>362,465</u>

The deferred tax liability is made up as follows:

	Group		Company	
	2014	2012	2014	2012
	£	£	£	£
Accelerated capital allowances	367,128	330,972	-	-
Other timing differences	(4,663)	(1,489)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>362,465</u>	<u>329,483</u>	<u>-</u>	<u>-</u>

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

16 Share capital	2014 £	2012 £
Allotted, called up and fully paid		
225,000 Ordinary 'A' shares of £1 each	225,000	225,000
46,428 Ordinary 'B' shares of £1 each	46,428	46,428
19,150 Ordinary 'C' shares of £1 each	19,150	-
28,572 Preference 'B' shares of £1 each	28,572	28,572
	<u>319,150</u>	<u>300,000</u>

On 30 January 2013, 19,150 £1 ordinary 'C' shares were issued at par.

The ordinary 'A' shareholders shall have one vote for every 'A' share held and the ordinary 'B' shareholders, the 'B' preference shareholders and the 'C' ordinary shareholders shall have 22/25th of one vote for each 'B' share, 'B' preference share and 'C' ordinary share held.

On a return of capital, the 'B' preference shareholders have first entitlement to the available assets up to the amounts paid up (including premium) on such shares. Secondly, the holders of the 'A' preference shares will be paid the redemption price of those shares and a sum equal to any arrears of their preference dividend. Thirdly, holders of the ordinary 'B' shares will be paid a sum equal to the amount received by the 'A' preference shareholder as above. Fourthly, the 'C' preference shareholders will receive amounts paid up (including premium) on such shares. Fifthly, any surplus up to £8,400,000 will be paid to the 'A' and 'B' ordinary shareholders in proportion to their shareholdings. Any remaining surplus over £8,400,000 will then be paid up in proportion to the holders of the ordinary 'A', 'B' and 'C' shareholders.

Included within long term liabilities (note 14) are 21,513 £1 non equity cumulative redeemable 'A' preference shares. The liability of £299,891 also includes a premium of £278,378. The 'B' preference shares are not redeemable so are therefore not included within liabilities but they shall convert to ordinary 'B' shares should certain performance criteria be met.

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

**17 Statement of movements on reserves
Group**

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 30 September 2012	2,026,000	2,505,408	(1,236,873)
Loss for the period	-	-	(199,819)
Dividends paid	-	-	(277,043)
Balance at 1 February 2014	<u>2,026,000</u>	<u>2,505,408</u>	<u>(1,713,735)</u>

Company

	Share premium account £	Profit and loss account £
Balance at 30 September 2012	2,026,000	3,169,955
Loss for the period	-	(15,010)
Dividends paid	-	(277,043)
Balance at 1 February 2014	<u>2,026,000</u>	<u>2,877,902</u>

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

18 Reconciliation of movements in shareholders' funds	2014	2012
Group	£	£
Loss for the financial period	(199,819)	(774,827)
Dividends	(277,043)	(8,716)
	<u>(476,862)</u>	<u>(783,543)</u>
Other recognised gains and losses	-	(3,250,788)
Proceeds from issue of shares	19,150	2,100,000
	<u>(457,712)</u>	<u>(1,934,331)</u>
Net depletion in shareholders' funds	(457,712)	(1,934,331)
Opening shareholders' funds	3,594,535	5,528,866
	<u>3,136,823</u>	<u>3,594,535</u>
	2014	2012
	£	£
Company		
Loss for the financial period	(15,010)	(15,010)
Dividends	(277,043)	(8,716)
	<u>(292,053)</u>	<u>(23,726)</u>
Proceeds from issue of shares	19,150	2,100,000
	<u>(272,903)</u>	<u>2,076,274</u>
Net depletion in shareholders' funds	(272,903)	2,076,274
Opening shareholders' funds	5,495,955	3,419,681
	<u>5,223,052</u>	<u>5,495,955</u>
Closing shareholders' funds	<u>5,223,052</u>	<u>5,495,955</u>

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

19 Contingent liabilities

Group and company

The 'B' shareholder, granted the company a Call Option to purchase the 'B' shares on certain terms. If the company exercises the Call Option at any time during the first ten years from when the 'B' shares were issued, it may purchase all or any of the 'B' shares and the price payable shall be the percentage of 'B' shares being purchased multiplied by £2,475,000. If the company exercises the Call Option between ten and fifteen years from the date when the 'B' shares were issued, it must purchase all of the 'B' shares and the price payable shall be the percentage of 'B' shares being purchased multiplied by £3,100,000.

The company also granted a Put Option to the 'B' shareholder, to require the company to purchase any or all of the 'B' shares on certain terms. The 'B' shareholder may only exercise the Put Option over the 'B' shares after fifteen years from the date when shares were issued and the price payable shall be the percentage of 'B' shares being purchased multiplied by £3,100,000.

The 'B' shares were issued on 21 March 2012 so dates referred to above are from this date.

20 Financial commitments

At 1 February 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Other 2014 £	2012 £
Expiry date:		
Within one year	8,858	1,320
Within two to five years	27,115	33,159
	<u>35,973</u>	<u>34,479</u>

MACLAY GROUP PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

21 Directors' remuneration	2014	2012
	£	£
Remuneration for qualifying services	<u>369,439</u>	<u>280,301</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2012 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2014	2012
	£	£
Remuneration for qualifying services	<u>232,123</u>	<u>153,698</u>

22 Employees - Group**Number of employees**

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

	2014	2012
	Number	Number
Administration	9	8
Public houses	<u>531</u>	<u>516</u>
	<u>540</u>	<u>524</u>

Group employment costs

	£	£
Wages and salaries	8,331,204	5,815,734
Social security costs	516,377	310,061
Other pension costs	<u>98,703</u>	<u>28,724</u>
	<u>8,946,284</u>	<u>6,154,519</u>

A number of employees operate within public houses that are owned by related parties Thistle Pub Company II plc and Thistle Pub Company III plc. The payroll costs of these employees are recharged to those companies.

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

23 Control

In the opinion of the directors the immediate parent company is Matthews One Limited, which is a company registered in Scotland, and the ultimate controlling party is the Blackwood No.2 Trust at 1 February 2014.

24 Reconciliation of operating profit to net cash inflow from operating activities	2014	2012
	£	£
Operating profit	604,616	718,302
Share of joint venture's loss	(89,985)	-
Depreciation of tangible assets	780,350	557,312
Decrease/(increase) in stocks	1,792	(14,292)
Decrease/(increase) in debtors	647,440	(372,470)
Increase in creditors within one year	101,773	125,131
Net cash inflow from operating activities	2,045,986	1,013,983

25 Analysis of net debt	30 September 2012	Cash flow	Other non-cash changes	1 February 2014
	£	£	£	£
Net cash:				
Cash at bank and in hand	641,390	(641,390)	-	-
Bank overdrafts	-	(473,097)	-	(473,097)
	<u>641,390</u>	<u>(1,114,487)</u>	<u>-</u>	<u>(473,097)</u>
Debts falling due within one year	(500,000)	(9,308,566)	-	(9,808,566)
Debts falling due after one year	(9,808,566)	9,808,566	-	-
	<u>(10,308,566)</u>	<u>500,000</u>	<u>-</u>	<u>(9,808,566)</u>
Net debt	(9,667,176)	(614,487)	-	(10,281,663)

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

26 Reconciliation of net cash flow to movement in net debt	2014 £	2012 £
(Decrease)/increase in cash in the period	(1,114,487)	1,374,638
Cash outflow from decrease in debt	<u>500,000</u>	<u>501,244</u>
Movement in net debt in the period	(614,487)	1,875,882
Opening net debt	<u>(9,667,176)</u>	<u>(11,543,058)</u>
Closing net debt	<u><u>(10,281,663)</u></u>	<u><u>(9,667,176)</u></u>

MACLAY GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014

27 Related party transactions

Group

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

	2014 £	2012 £
Tennent Caledonian Breweries UK Limited:		
- Purchases supplied	1,485,496	519,040
Thistle Pub Company Limited:		
- Provision of services	109,611	-
- Recharge of payroll costs	358,235	-
- Recharge of director's remuneration	12,500	-
- Recharge of set-up expenses	-	36,750
Thistle Pub Company II plc:		
- Provision of services	162,824	188,112
- Draught beer incentive receipt	127,758	85,313
- Recharge of payroll costs	1,088,895	806,817
- Recharge of director's remuneration	-	13,714
Thistle Pub Company III plc:		
- Provision of services	394,688	372,204
- Recharge of payroll costs	2,281,512	1,716,174
- Recharge of director's remuneration	-	13,121
- Investment addition	-	52,577

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

Tennent Caledonian Breweries UK Limited	(86,762)	(110,754)
Thistle Pub Company Limited	467,042	36,750
Thistle Pub Company II plc	(128,141)	229,849
Thistle Pub Company III plc	(7,167)	249,406

Companies within the Group have entered into supply and management service contracts with Thistle Pub Company II plc and Thistle Pub Company III plc, companies in which the Group also has minority interest shareholdings. S G Mallon, a company director, was also a director of both companies until he resigned on 30 September 2012.

MACLAY GROUP PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE 16 MONTH PERIOD ENDED 1 FEBRUARY 2014**

27 Related party transactions

(continued)

Companies within the Group were supplied goods from Tennent Caledonian Breweries UK Limited, which has an equity shareholding in the Group.

Maclay Group plc owns 47% of the share capital in Thistle Pub Company Limited as part of a joint venture agreement.

The company has elected to take advantage of the exemption granted in Financial Reporting Standard 8 - "Related Party Disclosures" available to 90% or more owned subsidiaries and has not disclosed transactions with those companies in these consolidated financial statements.