

Company Registration No. SC306747 (Scotland)

THREE THISTLES PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2017



THREE THISTLES PLC

COMPANY INFORMATION

Directors	P F Theakston D C McIntyre D J S C Low
Secretary	Kergan Stewart LLP
Company number	SC306747
Registered office	163 Bath Street Glasgow G2 4SQ
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	Kergan Stewart LLP 163 Bath Street Glasgow G2 4SQ

THREE THISTLES PLC

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

In my Chairman's Report for last year, I referred to the Board's intention to carry out a review of operations and to relaunch the Company's share dealing platform with Asset Match. In September we announced the outcome of that review and I am now also pleased to report the Asset Match relaunch has proved successful by improving the liquidity in the Company's shares.

The Board considered a review of operations was necessary because of the challenging economic conditions that were emerging and that are now evidenced in the outcome I am reporting on.

Turnover for the 52 weeks to 30 September 2017 was relatively flat at £5.8m when compared with the £5.9m achieved for the 53 week period last term. The trading climate, however, has remained challenging principally due to the continued economic and political uncertainty and the constant upward pressure on costs. The rise in cost of sales, increase in the living wage, and generally competitive environment has resulted in a disappointing gross profit of £1.0m and margin of 17.0% in the year, a decrease of £0.2m and a movement of 3.5 percentage points respectively on the previous period. Operating profit, after deducting establishment and administrative expenses, amounted to £0.2m.

The Directors were also aware the Company's operating units had not been valued since their acquisition during a buoyant market in the 2006/07 financial year and that a revaluation was necessary. The decade since then has encompassed a severe recession and near collapse of the financial system and subsequent recession, as well as legislative changes involving the introduction of the smoking ban, more stringent drink drive legislation, statutory minimum wage increases, rating revaluations and, currently, the effects of ongoing political uncertainty.

Against this backdrop and to avoid misleading shareholder expectations of the Company's net asset value, the Directors commissioned a valuation of the portfolio which was carried out by CDLH Surveyors Limited in March of this year. The outcome highlighted permanent impairments amounting to £1.7m which have been recorded as an exceptional item in the results for the year. As a consequence of the impairment, the net asset value reduced to £7.2m.

The Directors also determined that our existing estate manager, LT Management Services Limited ("LT"), was more suited to a 'care and maintenance' environment than the more proactive modus operandi demanded by your new Board. Consequently, the decision was taken to end our relationship with LT and to appoint Caledonian Heritable Limited with effect from 22 January 2018. The new management agreement is on more advantageous terms to the Company than was previously the case and the Directors are also confident that the new focus will result in an improvement in margins, reduced overhead costs and enhanced profitability.

Caledonian Heritable Limited is based in Edinburgh and is the owner and operator of 300 bars, restaurants, and nightclubs throughout the UK. Their flagship units include The Theatre Royal, Ryan's Bar and The Dome in Edinburgh, and their portfolio also includes the Archerfield golf and holiday complex in East Lothian.

In June 2017 the Company renewed its bank facilities with The Royal Bank of Scotland plc. The agreement extends the £2m term loan facility for a further 5 year period, within its existing 15 year repayment profile, at a reduced interest margin of 2.1% above Base Rate. Including the cash balance of £0.8m, net debt at the year end stood at £1.2m.

The Directors continue to review the contributions made by each of our units as well as monitoring investment opportunities to increase the estate and improve shareholder returns.

Over the financial year the Board has made significant decisions and effected material changes which we believe will result in a stronger financial performance. Our business plan going forward involves an expansion of the estate and we look forward to the future with confidence.

The relaunch of the monthly share dealing platform provided by Asset Match has resulted in higher share trading volumes and introduced new shareholders to the Company. Current and prospective shareholders wishing to use the facility will find more information at either www.AssetMatch.com or www.ThreeThistles.co.uk.

The coming year will be challenging as we provide the company with all the resources required in order to turn our operating performance around. As such the Board are not proposing to pay a dividend for the financial year 2016/17.

THREE THISTLES PLC

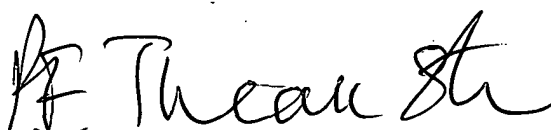
CHAIRMAN'S REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

We are continuing to seek 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.

Finally, I want to express the Board's thanks to our managers and all our staff for their dedication and unstinting hard work throughout the year. They are in the front line of our business, delivering great service to our customers, keeping them happy and providing a welcoming environment. Your efforts on behalf of the Company are greatly appreciated.

Paul Theakston
Chairman
21 December 2017

A handwritten signature in black ink, appearing to read 'P. Theakston', written in a cursive style.

THREE THISTLES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their annual report and financial statements for the year ended 30 September 2017.

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
P F Theakston
D C McIntyre
D J S C Low

(Resigned 13 October 2016)

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £112,500. The directors do not recommend a dividend in the coming year.

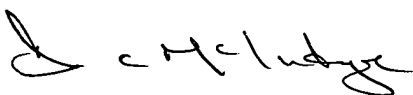
Auditor

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

21 December 2017

THREE THISTLES PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present the strategic report for the year ended 30 September 2017.

Fair review of the business

Total turnover for the 52 week period amounted to £5,787,837 (2016 (53 weeks): £5,860,583). Operating profit after deducting the cost of Manager services is £211,607 (2016: £408,130), a decrease of 49% in comparison to the prior year. The inclusion of the impairment loss, following the property revaluation exercise in March, resulted in a loss before tax and after exceptional items of £1,584,782 (2016: £410,386 profit).

Net assets decreased in the year to £7,191,224 (2016: £8,932,279) following the property impairment. As at 30 September 2017, the Company had net debt of £1,184,044 (2016: £1,203,107).

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.

THREE THISTLES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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.

THREE THISTLES PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

21 December 2017

THREE THISTLES PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 THREE THISTLES PLC

Opinion

We have audited the financial statements of Three Thistles plc for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE THISTLES PLC (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



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

21/01/15

THREE THISTLES PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	5,787,837	5,860,583
Cost of sales		(4,800,867)	(4,655,800)
Gross profit		986,970	1,204,783
Establishment expenses		(512,026)	(540,331)
Administrative expenses		(263,337)	(256,322)
Operating profit	4	211,607	408,130
Interest receivable and similar income	8	327	1,050
Interest payable and similar expenses	10	(53,360)	(58,901)
Exceptional items	9	(1,743,356)	60,107
(Loss)/profit on ordinary activities before taxation		(1,584,782)	410,386
Taxation	11	(43,773)	(19,486)
(Loss)/profit for the financial year	26	(1,628,555)	390,900

THREE THISTLES PLC**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	14	8,949,740		10,816,856	
Investments	15	-		1	
		<u>8,949,740</u>		<u>10,816,857</u>	
Current assets					
Stocks	16	95,538		100,336	
Debtors	17	145,200		197,963	
Cash at bank and in hand		824,276		858,523	
		<u>1,065,014</u>		<u>1,156,822</u>	
Creditors: amounts falling due within one year	18	(941,713)		(1,099,087)	
Net current assets		<u>123,301</u>		<u>57,735</u>	
Total assets less current liabilities		<u>9,073,041</u>		<u>10,874,592</u>	
Creditors: amounts falling due after more than one year	19	(1,828,320)		(1,881,630)	
Provisions for liabilities	22	(53,497)		(60,683)	
Net assets		<u><u>7,191,224</u></u>		<u><u>8,932,279</u></u>	
Capital and reserves					
Called up share capital	24	3,750,000		3,750,000	
Share premium account	25	3,191,825		3,191,825	
Profit and loss reserves	26	249,399		1,990,454	
Total equity		<u><u>7,191,224</u></u>		<u><u>8,932,279</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 21 December 2017 and are signed on its behalf by:


D C McIntyre
Director

THREE THISTLES PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 4 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		3,750,000	3,191,825	1,990,454	8,932,279
Year ended 30 September 2017:					
Loss and total comprehensive income for the year		-	-	(1,628,555)	(1,628,555)
Dividends	12	-	-	(112,500)	(112,500)
Balance at 30 September 2017		3,750,000	3,191,825	249,399	7,191,224

THREE THISTLES PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	28	342,273		833,332	
Interest paid		(53,360)		(58,901)	
Income taxes paid		(100,662)		(36,120)	
Net cash inflow from operating activities		188,251		738,311	
Investing activities					
Purchase of tangible fixed assets		(57,016)		(213,596)	
Proceeds on disposal of tangible fixed assets		-		5,758	
Purchase of subsidiaries		-		(1)	
Proceeds on disposal of subsidiaries		1		-	
Interest received		327		1,050	
Net cash used in investing activities		(56,688)		(206,789)	
Financing activities					
Repayment of bank loans		(53,310)		(118,582)	
Dividends paid		(112,500)		(97,500)	
Net cash used in financing activities		(165,810)		(216,082)	
Net (decrease)/increase in cash and cash equivalents		(34,247)		315,440	
Cash and cash equivalents at beginning of year		858,523		543,083	
Cash and cash equivalents at end of year		824,276		858,523	

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies

Company information

Three Thistles plc is a Company limited by shares incorporated in Scotland. The registered office is 163 Bath Street, Glasgow, G2 4SQ.

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.

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. 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.

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.

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

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 are basic financial instruments and 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.

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.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

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.

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.

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

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.

3 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
Liquor sales	3,357,855	3,417,326
Food sales	2,247,532	2,256,634
Other income	130,481	117,690
Gaming income	51,969	68,933
	<u>5,787,837</u>	<u>5,860,583</u>
Other revenue		
Interest income	327	1,050
	<u>327</u>	<u>1,050</u>

Turnover analysed by geographical market

	2017 £	2016 £
United Kingdom	<u>5,787,837</u>	<u>5,860,583</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	174,267	200,693
Impairment of owned tangible fixed assets	1,749,865	-
Cost of stocks recognised as an expense	<u>1,943,665</u>	<u>1,829,751</u>

5 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>96,133</u>	<u>79,994</u>

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

6 Employees

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

	2017 Number	2016 Number
Directors	3	3

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	96,133	79,994

7 Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates:		

For audit services

Audit of the financial statements of the Company	9,850	9,850
--	-------	-------

For other services

All other non-audit services	4,900	5,600
------------------------------	-------	-------

8 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	327	949
Other interest income	-	101
Total income	327	1,050

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	327	949
--	-----	-----

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

9 Exceptional items

	Notes	2017 £	2016 £
Overall net income of bad debt		6,509	60,107
Impairment losses	13	(1,749,865)	-
		<u>(1,743,356)</u>	<u>60,107</u>

10 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	53,360	58,901
	<u>53,360</u>	<u>58,901</u>

11 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	49,761	100,212
Adjustments in respect of prior periods	1,198	(7,943)
Total current tax	<u>50,959</u>	<u>92,269</u>
Deferred tax		
Origination and reversal of timing differences	(6,491)	(17,975)
Adjustment in respect of prior periods	(695)	(54,808)
Total deferred tax	<u>(7,186)</u>	<u>(72,783)</u>
Total tax charge	<u>43,773</u>	<u>19,486</u>

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

11 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
(Loss)/profit before taxation	(1,584,782)	410,386
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.50% (2016: 20.00%)	(309,032)	82,077
Tax effect of expenses that are not deductible in determining taxable profit	2,105	2,492
Change in unrecognised deferred tax assets	953	(10,709)
Adjustments in respect of prior years	1,198	(7,943)
Permanent capital allowances in excess of depreciation	349,421	8,397
Deferred tax adjustments in respect of prior years	(695)	(54,808)
Unexplained difference	(177)	(20)
Taxation charge for the year	43,773	19,486

12 Dividends

	2017 £	2016 £
Interim paid	112,500	97,500

13 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2017 £	2016 £
In respect of:		
Property, plant and equipment	1,749,865	-
Impairment losses	1,749,865	-

The impairment losses in respect of financial assets are recognised in other gains and losses in the income statement.

The valuation of the licensed properties was carried out by CDLH on 18 March 2017 and was done so on the basis of market value.

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

14 Tangible fixed assets

	Heritable property £	Fixtures, fittings and equipment £	Total £
Cost			
At 2 October 2016	10,578,264	1,950,833	12,529,097
Additions	-	57,016	57,016
At 30 September 2017	10,578,264	2,007,849	12,586,113
Depreciation and impairment			
At 2 October 2016	266,943	1,445,298	1,712,241
Depreciation charged in the year	40,644	133,623	174,267
Impairment losses	1,749,865	-	1,749,865
At 30 September 2017	2,057,452	1,578,921	3,636,373
Carrying amount			
At 30 September 2017	8,520,812	428,928	8,949,740
At 1 October 2016	10,311,321	505,535	10,816,856

More information on the impairment arising in the year is given in note 13.

15 Fixed asset investments

	2017 £	2016 £
Investments in subsidiaries	-	1

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 2 October 2016	1
Disposals	(1)
At 30 September 2017	-
Carrying amount	
At 30 September 2017	-
At 1 October 2016	1

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

16 Stocks

	2017 £	2016 £
Finished goods and goods for resale	95,538	100,336

17 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	753	22
Other debtors	144,447	197,941
	145,200	197,963

18 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	180,000	180,000
Trade creditors		303,520	444,173
Corporation tax		50,504	100,207
Other taxation and social security		164,431	182,341
Other creditors		352	1
Accruals and deferred income		242,906	192,365
		941,713	1,099,087

19 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	20	1,828,320	1,881,630

20 Borrowings

	2017 £	2016 £
Bank loans	2,008,320	2,061,630
Payable within one year	180,000	180,000
Payable after one year	1,828,320	1,881,630

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.

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

20 Borrowings (Continued)

On 27 June 2017, the Company renegotiated the loan agreement with The Royal Bank of Scotland plc. The loan of £2.0m is repayable by quarterly instalments, with the final instalment due on 27 June 2022. Interest is charged at 2.1% per annum over Base Rate.

21 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	145,200	197,963
Carrying amount of financial liabilities		
Measured at amortised cost	2,555,098	2,698,169

22 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	23	53,497	60,683
		53,497	60,683

23 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 2017 £	Liabilities 2016 £
Balances:		
Difference between accumulated depreciation and capital allowances.	53,497	60,683
Movements in the year:		2017 £
Liability at 2 October 2016		60,683
Credit to profit or loss		(7,186)
Liability at 30 September 2017		53,497

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.

THREE THISTLES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

24 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
7,500,000 Ordinary of 50p each	3,750,000	3,750,000

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.

25 Share premium account

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

26 Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

27 Related party transactions

The total remuneration of directors who are considered to be the key management personnel of the Company was £96,133 (2016: £79,994).

28 Cash generated from operations

	2017 £	2016 £
(Loss)/profit for the year after tax	(1,628,555)	390,900
Adjustments for:		
Taxation charged	43,773	19,486
Finance costs	53,360	58,901
Investment income	(327)	(1,050)
Depreciation and impairment of tangible fixed assets	1,924,132	200,693
Movements in working capital:		
Decrease/(increase) in stocks	4,798	(16,270)
Decrease in debtors	52,763	177,683
(Decrease)/increase in creditors	(107,671)	2,989
Cash generated from operations	<u>342,273</u>	<u>833,332</u>