

Thistle Pub Company III plc

Offers for Subscription



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Brewin Dolphin Securities
Corporate Finance

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An investment in the Company involves a high degree of risk and may not be suitable for all investors; potential investors should therefore seek advice from a stockbroker, solicitor, accountant or other independent financial advisor before making any decision to invest.

This document comprises a prospectus relating to Thistle Pub Company III plc prepared in accordance with the Prospectus Rules made under section 84 of the FSMA and has been approved by the Financial Services Authority under sections 87 A-D of the FSMA. A copy of this document has been filed with the Financial Services Authority in accordance with paragraph 3.2.1 of the Prospectus Rules. This document has been made available to the public in accordance with paragraph 3.2.1 of the Prospectus Rules by the same being made available, free of charge, at the Company's registered office and at the offices of Brewin Dolphin, details of which are set out on page 9 of this document.

This document should be read as a whole prior to making any investment decision. Your particular attention is drawn to pages 7 and 8 of this document which set out certain risk factors that should be considered in considering whether to make an investment in the Company. All statements regarding Thistle Pub Company III plc's business, financial position and prospects should be viewed in light of the risk factors set out on pages 7 and 8 of this document.

The Directors of Thistle Pub Company III plc, whose names are set out on page 9 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Brewin Dolphin Securities Limited, which is regulated by The Financial Services Authority, is acting as sponsor for the Company and no one else in connection with the Offers and will not be responsible to any person other than the Company for providing the protections afforded to customers of Brewin Dolphin Securities Limited nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Brewin Dolphin Securities Limited does not give any representation, warranty or guarantee that the Company will qualify for the taxation advantages offered under the Enterprise Investment Scheme or that investors will obtain any tax relief in respect of their investment.

The share capital of Thistle Pub Company III plc is not presently listed or dealt in on any stock exchange and no application for admission of the share capital to listing or dealing has been made or is intended to be made.

Thistle Pub Company III plc

(Registered in Scotland under the Companies Act 1985 with number SC306747)

Offers for Subscription

of up to 7,500,000 Shares

at £1 per Share in respect of the 2006/2007 tax year

and

up to 7,500,000 Shares

at £1 per Share in respect of the 2007/2008 tax year

Payable in full on application

Subject to an overall maximum subscription in respect of both Offers of £7,500,000

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Share capital immediately following the Offers, assuming that the overall maximum subscription is achieved:

	<i>No. of Shares</i>	<i>Authorised Nominal Value</i>	<i>No. of Shares</i>	<i>Issued and to be issued and fully paid Nominal Value</i>
Ordinary Shares	10,000,000	£5,000,000	7,500,002	£3,750,001

The subscription list for the Shares, 7,500,000 of which are being offered to the public under the Offers, will open at 10.00 a.m. on 13 October 2006 and may be closed at any time thereafter. Applications in respect of the allotment of Shares under the 2006/2007 Offer must be received by Park Circus Registrars Limited, 144 West George Street, Glasgow, G2 2HG by no later than 3.00 p.m. on 2 April 2007 and the final time and date for receipt of applications for the 2007/2008 Offer is 3.00 p.m. on 31 May 2007 unless either or both of the Offers are extended prior to that date. The terms and conditions of the Offers are set out in the Appendix to this document followed by an Application Form for use in connection with the Offers.

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SUMMARY INFORMATION

The following summary should be read as an introduction to the Prospectus. Any decision to invest in Shares should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought before a court, the claimant investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Company objective

The Company's objective is to acquire and manage freehold public houses. The Board believe that the acquisition of established "community local" pubs principally in Scotland offers the prospect of capital growth in a tax-efficient asset-backed investment vehicle.

It is the Board's intention that freehold public houses are acquired from primarily single unit owner-operators. The Company will target units with the best prospect for generating a competitive yield with the possibility of improving profitability and turnover.

The Manager

The Company has contracted with Maclay Inns as the Manager to provide the services it requires to fulfil its objective for the following reasons:

- Maclay Inns currently operates its own estate of 21 public houses throughout Scotland which are typically characterised as "community local" pubs being primarily freehold units commonly located outwith major city high street locations or in market towns.
- Maclay Inns currently manages 6 public houses which make up the trading estate of Thistle II. The Thistle II pubs are also typically characterised as "community local" pubs being primarily freehold units commonly located outwith major city high street locations or in market towns.
- The net asset value of Maclay Group has grown by 290% (in a 4 year period between September 2001 and September 2005) under the current Maclay Group board of directors. The Directors believe that this demonstrates the Manager's track record of improving capital value through improved trading performance.
- In selecting a manager the Board noted Maclay Inns' previous record as manager of Thistle II, and prior to that, four EIS pub companies where cash exits have been achieved for the shareholders of each of those EIS pub companies, in each case at a premium to the issue price. Thistle Pub Company plc achieved an exit in 2004 at £1.55 per £1 invested.
- The Board were also impressed that Maclay Group, the parent company of Maclay Inns, has undertaken to invest in at least 5% of the aggregate number of Shares issued under the Offers.

The Manager manages its own portfolio of public houses, as well as those owned by Thistle II and may seek further portfolios to manage on behalf of other third parties. To the extent that the Manager identifies a public house that it considers suitable for the Company's consideration, the Company has received an undertaking from the Manager that it will not seek to compete against the Company in the acquisition of that property for its own portfolio. In addition the Manager has undertaken to treat equitably all third parties by whom it is engaged to act as manager.

CAPITAL GROWTH AND ACQUISITION STRATEGY

The Directors believe that underlying public house values will show steady capital growth over the long term due to ongoing consolidation within the sector subject to economic and inflationary conditions. The Directors believe that good opportunities for acquisition will continue to be available over the next five years.

The Company intends to acquire and operate established premises. The Manager has agreed to use its best endeavours to locate and identify suitable Premises within the later of 12 months from Close of the Issue and 12 months from the date of commencement of trade to allow the Company to maintain its qualifying status for EIS purposes as 80% of the EIS funds must be invested in Premises within this period.

The Company will have available to it cash resources received from the net proceeds of the Offers. In addition the Company intends to negotiate debt financing with third party lenders in order to provide

financial gearing in support of the Company's growth and acquisition strategies. No acquisitions have been identified as at the date of this document.

LICENSED TRADE PROPERTY MARKET IN SCOTLAND

The Directors believe the current state of the licensed trade and leisure sector of the Scottish property market to be buoyant.

The Directors believe that despite the presence of many branded and unbranded large city centre pubs, bars and restaurants, there remains a strong customer demand for the smaller traditional pub offering (the "community local" pubs). There remains high demand for quality pub units with the best properties still attracting premium price levels. There are over 5,000 public houses in Scotland and the Directors believe the majority remain in the ownership of independent operators.

The Directors believe that acquisition opportunities will continue to arise both from sales by individuals and corporate operators. Individuals' decisions to sell are often lifestyle driven. Corporate sales usually arise from a strategic review of preferred market segments often following an acquisition.

The Directors are aware of emerging evidence of the impact of smoking restrictions in Scotland (introduced in March 2006) which, taken together with evidence from Ireland where similar restrictions were introduced in March 2004, indicates that "community local pubs" with a reasonable food content will be largely unaffected by a restriction on smoking. The Directors also believe that changes in the Scottish licensing laws (which are scheduled for implementation, substantially, in 2009) are unlikely to adversely impact "community local" pubs.

Generally, the Directors believe trading conditions within the pub sector show continued strength and continue to attract significant levels of investment.

DIVIDEND POLICY

It is the intention of the Company to aim for capital growth which, under EIS rules, should be free of tax to qualifying investors who hold the Shares for the Relevant Period and comply with the other EIS rules. Therefore, the Directors do not intend to distribute dividends.

EXIT STRATEGY

The Directors and the Manager will seek to identify and acquire appropriate premises in the timescale that is consistent with the Company's ability to manage the integration of the new units effectively. In view of the relatively long term nature of the process required to make a pub successful, the Directors anticipate that shareholder value is unlikely to be maximised until late in 2012 at the earliest. However, in recognition that some shareholders may wish to seek an earlier exit, the Directors will review the situation regularly.

To give the Company sufficient continuity to drive up the value of the Premises, both the Management Agreement and the Supply Agreement with Maclay Inns will endure until 30 June 2013. If appropriate Premises are acquired more quickly than anticipated then the opportunity to secure an exit for Shareholders may occur within a shorter timeframe.

MANAGEMENT AND SUPPLY AGREEMENTS

The Company has entered into the Management Agreement with Maclay Inns whereby the Manager will be responsible for the management and operation of all the Premises.

The Supply Agreement binds the Company to purchase its beverages from Maclay Inns. Under the agreement Maclay Inns will supply all supplies at the original purchase price paid by Maclay Inns, including any discount or rebates, for resale by the Company.

MANAGEMENT FEES

The fees payable to the Manager under the Management Agreement are related to the profits of the Company and to the value of the public house assets managed on behalf of the Company. The management fee is structured to incentivise the Manager to seek maximum returns for shareholders.

The fee payable to the Manager for its management services is:

- (a) a basic fee of 0.5 per cent per calendar quarter of all funds which have been used by the Company to acquire, develop and/or refurbish the Premises;

- (b) a performance-related fee of 30 per cent of annual pre-tax profits (not including any profit or loss arising from the sale of units); and
- (c) an exit incentive of 30 per cent of the difference between the aggregate amount that is capable of being returned to the Shareholders on an exit (before deducting the exit incentive) and the aggregate subscription price of the Shares pursuant to the Offers (less the costs incurred by the Company in connection with the Offers) as increased by RPI.

THE OFFERS

The Company is seeking to raise up to £7.5 million by way of two offers for subscription. The Offers are structured to allow subscribers to apply for Shares in either of, or both, tax years 2006/2007 and 2007/2008.

The Offers are subject to a minimum subscription of £500,000 being achieved, this condition can only be waived through the production of a supplementary prospectus. If the Minimum Subscription has not been raised by 2 April 2007 the 2006/2007 Offer will be withdrawn. If the 2006/2007 Offer has been withdrawn and the Minimum Subscription has not been raised by 31 May 2007, the 2007/2008 Offer will also be withdrawn. If the Minimum Subscription is achieved but the Offers are not fully subscribed, the Directors may seek to keep the 2006/2007 and/or 2007/2008 Offer open at their discretion, but until no later than 12 months after the date of this document. The condition that the Offers are subject to a minimum subscription of £500,000 being achieved and any other conditions of the Offers can only be waived through the production of a supplementary prospectus, in which event applicants will have the right to withdraw their applications.

INTRODUCTORY COMMISSION

Authorised investment advisers will qualify for commission at 2.5% on the level of investment raised by them from their clients.

EIS TAXATION ADVANTAGES

The Company intends to conduct its affairs in a manner that will qualify for the taxation advantages offered under the Enterprise Investment Scheme. The Company has received provisional tax clearance from HM Revenue & Customs that it meets the criteria required of a qualifying investment under the Enterprise Investment Scheme. The main tax advantages of investing in an EIS qualifying company are as follows (further details are given in Part 4 of this document):

- (i) Depending on their personal circumstances, tax-paying investors receive income tax relief of 20 per cent on the amount invested up to a maximum investment of £400,000 in each tax year. If the shares are held in a qualifying company for the Relevant Period the effective net cost of the investment is reduced to 80 pence for each £1 invested.
- (ii) Investment in an EIS company may also qualify for capital gains tax deferral. There is no limit to the level of investment and, therefore, to the amount of taxable gains which may be deferred in this way and capital gains made up to 3 years before and 1 year after the date of issue of the shares may be eligible.
- (iii) An investor may continue to defer his capital gain if the proceeds of the sale of his EIS shares on disposal are reinvested in another EIS company.
- (iv) There is no tax on capital gains made upon disposal of shares in a qualifying company after the end of the Relevant Period (for investments of up to £400,000 in each tax year).
- (v) Any loss made on disposal of shares (after allowing for any income tax relief initially obtained) is allowed to be set against the individual's other capital gains and it may be possible to set the net loss against taxable income in the tax year of the loss or the preceding year.
- (vi) Provided a shareholder has owned shares in a qualifying unquoted trading company for at least two years and certain conditions are met at the time of transfer, 100% business property relief is available. This reduces the inheritance tax liability on the transfer to nil.

TAX RELIEF CERTIFICATES

EIS Tax Relief Certificates will be available following the Company's first acquisition.

CORPORATE VENTURING SCHEME

Qualifying investing companies can claim corporation tax relief at 20% on amounts invested in new shares which are held for at least three years; claim loss relief, net of investment relief, against income and chargeable gains; and claim deferral of corporation tax on gains on the disposal of CVS qualifying shares where the gain is invested in a new CVS investment. The Company has received provisional assurance from HM Revenue & Customs that it will qualify under the Corporate Venturing Scheme.

VENTURE CAPITAL TRUSTS

The Company has received provisional assurance that the Shares to be issued will be “Eligible Shares” and that, in so far as the conditions that apply to the Company are concerned, the Shares will be a “Qualifying Holding” for the purpose of investments by venture capital trusts.

RISK FACTORS

There are a number of risk factors of which investors should be aware. All material risk factors of which the Directors are aware are included:

- *Past performance is no guide to future performance;*
- *HM Revenue & Customs practice could change, as can tax rates. Such changes could be applied on a retrospective basis. In any event, the value of tax reliefs depends on each individual taxpayer's circumstances;*
- *Any change of Governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the Company and/or its ability to achieve or maintain EIS status;*
- *No Investors' Compensation Scheme or similar is available for claims relating to EIS investments;*
- *An investment in the Company should be viewed as a longer-term investment and may not be suitable for all recipients of this document;*
- *Formal EIS clearance can only be obtained when the Company has undertaken qualifying activities for a four month period after the issue of the Shares. Neither the Company, its advisers nor the Directors can give any guarantee that the Company will qualify under the EIS legislation or that investors will obtain any relief in respect of an investment;*
- *Tax relief will not be available, or may be withdrawn, if the Company, or an individual investor, does not comply with the EIS regulations during the Relevant Period;*
- *There is no formal market in the Shares and it may be difficult for investors to realise their investment;*
- *Investments in unquoted shares can carry a higher risk than investments in quoted shares;*
- *Businesses such as public houses may be affected by changes in the level of consumer spending;*
- *There is no guarantee that the Company's investment strategy will be successful nor that investors will receive back the full value of their original investment;*
- *Increases in interest rates could adversely affect the performance of the Company; and*
- *The Offers are subject to a Minimum Subscription being achieved. To the extent that this Minimum Subscription is not achieved subscription monies will be refunded without interest within 14 days of the relevant Offer being withdrawn and no commission will be payable to introducers of potential investors.*

ENQUIRIES

Enquiries in relation to the Offers should be made to Lennart Norstrand or Ben Prior of Brewin Dolphin on 0845 213 3097 however no investment advice can be given in relation to such enquiries.

RISK FACTORS

The attention of prospective investors is drawn to the fact that an investment in the Shares involves a variety of risks. All prospective investors should consider carefully the entire contents of this document including, but not limited to, the risk factors described below. As at the date of this document the Directors consider the following risks to be all of the material risks of which they are aware and the most significant for potential investors, but the information below does not necessarily comprise all those risks associated with an investment in the Company, nor have such risks been set out in any order of priority. Additionally, some considerations may be unknown to the Company and other considerations, currently believed to be immaterial, could turn out to be material. The Company's business, financial condition or results of operations could be materially adversely affected by any or all of these considerations. Prospective investors should consider carefully whether an investment in the Company is suitable for them, in light of the matters referred to in this document, their personal circumstances and the financial resources available to them.

As with most investment products, prospective investors should be aware that the value of the Shares, and the income from them, may go down as well as up and an investor may not get back the amount originally invested.

- 1. Past performance is no guide to future performance. In particular the Manager's historic track record of managing a portfolio of public houses cannot be taken as a guide to the performance of a portfolio of assets acquired by the Company.*
- 2. Past experience is not necessarily a reliable guide to the future and it is possible that legislation may change, or be introduced with retrospective effect; this may affect the conditions under which tax reliefs were granted, the assumptions relating to the yields shown, or the qualifying status defined. Targets, plans, aims and intentions are no more than that, and do not imply forecasts.*
- 3. This document is prepared in accordance with current legislation. HM Revenue & Customs practice could change, as can tax rates. In any event, the value of tax reliefs depends on each individual taxpayer's circumstances.*
- 4. Any change of governmental, economic, fiscal, monetary or political policy could materially affect, directly or indirectly, the operation of the Company and/or its ability to achieve or maintain final EIS status.*
- 5. No Investors' Compensation Scheme or similar is available for claims relating to EIS investments.*
- 6. An investment in the Company should be viewed as a longer-term investment and may not be suitable for all recipients of this document. Readers of this document should consult an adviser authorised under the Financial Services and Markets Act 2000, who specialises in investments of this kind.*
- 7. Whilst provisional tax clearance has been obtained from HM Revenue & Customs, formal clearance can only be obtained when the Company has undertaken qualifying activities for a four month period after the issue of the Shares. Neither the Company, nor its advisers, nor the Directors can give any guarantee that the Company will qualify under the EIS legislation or that investors will obtain any relief in respect of an investment. The undertaking by the Company of any activities other than qualifying activities could result in it failing to comply with EIS regulations and, in these circumstances, availability of tax relief for investors could be prejudiced.*
- 8. Tax relief will not be available, or may be withdrawn, if the Company, or an individual investor, does not comply with the EIS regulations during the Relevant Period.*
- 9. There is no formal market in the Shares and it may be difficult for investors to realise their investment.*
- 10. Investments in unquoted shares can carry a higher risk than investments in quoted shares. It may be difficult to obtain information on the current value of the Shares.*
- 11. Businesses such as public houses may be affected by changes in the level of consumer spending, which may decline from current levels, depending on the national and international financial climate and any changes to legislation.*
- 12. There is no guarantee that the Company's investment strategy will be successful nor that investors will receive back the full value of their original investment.*
- 13. Increases in interest rates could adversely affect the performance of the Company.*

14. *The Offers are subject to a Minimum Subscription being achieved. If the Minimum Subscription has not been raised by 2 April 2007 the 2006/2007 Offer will be withdrawn. If the 2006/2007 Offer has been withdrawn and the Minimum Subscription has not been raised by 31 May 2007, the 2007/2008 Offer will also be withdrawn. The subscription monies will be kept in separate bank accounts and, if the Minimum Subscription has not been achieved by 2 April 2007 in respect of the 2006/2007 Offer or 31 May 2007 in respect of the 2007/2008 Offer or if any application is scaled back, subscription monies will be refunded without interest within 14 days of the relevant Offer closing or being withdrawn or the application being scaled back and no commission will be payable to introducers of potential investors.*

DIRECTORS, SECRETARY AND ADVISERS

Directors	Angus Alexander Meldrum (<i>Chairman, Non-executive</i>) Stephen Gerard Mallon (<i>Executive</i>) Alan Geoffrey Stewart (<i>Non-executive</i>) All of Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG
Registered Office	c/o Saffery Champness Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA
Sponsor	Brewin Dolphin Securities Limited 12 Smithfield Street London EC1A 9BD and 48 St Vincent Street Glasgow G2 5TS
Secretary	TM Company Services Limited Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG
Solicitors to the Company	Tods Murray LLP Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG
Auditors, Reporting Accountants and Taxation Advisers	Saffery Champness Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9BA
Registrars and Receiving Agents	Park Circus Registrars Limited 144 West George Street Glasgow G2 2HG

EXPECTED TIMETABLE

2006/2007 Offer (for the tax year ending 5 April 2007)

Latest time for receipt of Application Forms	3.00 p.m. on 2 April 2007
Allotment and issue of Shares	2 April 2007
Despatch of share certificates	12 April 2007

2007/2008 Offer (for the tax year ending 5 April 2008)

Latest time for receipt of Application Forms	3.00 p.m. on 31 May 2007
Allotment and issue of Shares	31 May 2007
Despatch of share certificates	11 June 2007

Cheques in respect of the 2007/2008 Offer may be post-dated to 6 April 2007

Expected date of despatch of EIS 3 forms to Shareholders November 2007

Note: The Directors reserve the right to allot Shares at any time following receipt of the Minimum Subscription.

PART 1: THISTLE PUB COMPANY III PLC

INTRODUCTION

The Company intends to raise up to £7.5 million before costs of up to £552,188 by way of the Offers set out in Part 2 of this document. The net funds will be applied to purchase established public houses, principally in Scotland, which will be freehold premises thus giving the security of a capital asset to underpin the investment. The Premises will be of a style similar to those presently operated by Maclay Inns. The Company does not intend to participate in any start-up ventures.

Public houses are generally operated on either a managed basis or on a tenanted basis. Managed public houses are operated by employees of the owner/manager whereas tenanted public houses involve the owner leasing the public house to a tenant. The Company will consider buying either individual public houses or small chains of public houses that may be available for sale but intends to operate all of its units on a managed basis only.

CAPITAL GROWTH AND ACQUISITION STRATEGY

Maclay Inns has considerable experience of operating and managing an estate of public houses and will identify those acquisition targets which it considers offer the best prospects for generating a competitive yield, maintaining value and with the possibility of improving profitability and turnover. Typically such measures include attention to manager recruitment, staff training and enhancing the food and drink offering. If considered attractive by the Manager, an acquisition proposal would be recommended to the Directors. The recommendation would address the financial prospects of the unit, any refurbishment or other capital investment required and any other information relevant to the case. The Manager manages its own portfolio of public houses as well as those owned by Thistle II and may seek further portfolios to manage on behalf of other third parties. To the extent that the Manager identifies a public house that it considers suitable for the Company's consideration, the Company has received an undertaking from the Manager that it will not seek to compete against the Company in the acquisition of that property for its own portfolio. In addition the Manager has undertaken to treat equitably all third parties by whom it is engaged to act as manager.

The Directors, having considered the information provided by the Manager (including an independent valuation report), would then approve acceptable acquisition proposals. The legal process of confirming title, licence and other details would be progressed by the Manager. Once the acquisition is complete, the Manager would allocate the unit to a business development manager within its management team and progress the agreed operational plan including the execution of any capital works to assist in the development of the pub.

The Directors believe that underlying public house values will show steady capital growth over the long term due to ongoing consolidation within the sector subject to economic and inflationary conditions. The Directors believe that good opportunities for acquisition will continue to be available over the next five years.

The Company intends to acquire and operate established premises. The Manager has agreed to use its best endeavours to locate and identify suitable Premises within the later of 12 months from Close of the Issue and 12 months from the date of commencement of trade to allow the Company to maintain its qualifying status for EIS purposes as 80% of the EIS funds must be invested in Premises within this period.

The Company will have available to it cash resources received from the net proceeds of the Offers. In addition the Company intends to negotiate debt financing with third party lenders in order to provide financial gearing to support the Company's growth and acquisition strategies. No acquisitions have been identified as at the date of this document. The Directors are empowered to borrow to further the Company's objectives in the interests of shareholders. However, it is the intention of the Board not to borrow more than one third of the aggregate cost of the Premises. The Directors anticipate that the operating cashflows generated by the managed public houses, once acquired, will be used in the first instance to service its debt obligations and thereafter reinvested in the Company's growth. Any Premises acquired by the Company will be purchased on the open market or from Maclay Inns or Thistle II based on open market value as valued by an independent valuer.

Maclay Inns has acquired and will continue to acquire, manage and develop portfolios of public houses for its own account and on behalf of Thistle II. It will continue to manage and develop these and other portfolios of public houses during the life of the Company. Maclay Inns will not therefore be acquiring, managing and developing public houses exclusively for the Company.

The Manager will be bound by the Company to manage the Company's portfolio of public houses within investment guideline parameters laid down in the Management Agreement. The Board will make their acquisition decisions based on the information presented by the Manager and in any potential conflicts of interest a Director may have involving the Company and the Manager or Thistle II, it is intended that the conflicted Director will withdraw from voting on such a matter. Furthermore it is intended that the independent nature of the Chairman (both in relation to the Manager and to Thistle II) will further ensure that any potential conflicts of interest are avoided. Maclay Group (the parent company of the Manager) has undertaken to take at least a 5% interest in the equity of the Company, and the Manager will be rewarded on an exit for the increase in the value of the Shares over and above RPI. These measures are intended to align the interests of the Manager with those of participating investors.

DIRECTORS

Angus A Meldrum (aged 60) (Chairman, Non-executive)

Mr Meldrum was Chairman of Belhaven Brewery Group plc (now called The Belhaven Group Limited) ("Belhaven") between 2004 and 2005, when that company was acquired by Greene King plc. He had been a director of Belhaven since 2002 and was a director of Maclay Group for 10 years between 1992 and 2002. Mr Meldrum is a B.Sc. graduate of Edinburgh University in mathematics and physics and a management postgraduate of the Bath University School of Management.

Mr Meldrum spent 30 years as a senior executive of Bass plc, latterly as Managing Director of Tennent Caledonian Breweries Ltd for 10 years and prior to that 20 years in various UK and export marketing positions in the parent group, Bass Brewers Ltd.

He is currently a non-executive director of North British Trust Hotels, Ltd and the patron of The Scottish Licensed Trade Benevolent Society.

Stephen G Mallon (aged 44) (Executive director)

Mr Mallon is managing director of Maclay Group (appointed in 2001). He is also an executive director of Thistle II. He is an honours graduate of the University of Strathclyde and a Member of the Institute of Chartered Accountants of Scotland.

He qualified with Thomson McLintock before gaining further corporate finance experience with the Scottish Development Agency (now Scottish Enterprise), and Touche Ross (now Deloitte & Touche).

He held a number of senior financial management positions before joining Maclay Group in 1998 as finance director. Since joining Maclay Group he has co-ordinated the exits for shareholders of four EIS pub companies.

Alan G Stewart (aged 50) (Non-executive Director)

Mr Stewart is a divisional director of Brewin Dolphin. He is also a non-executive director of Thistle II. He graduated with a joint management and engineering degree from the University of Strathclyde in 1977. He qualified as a Chartered Accountant with Thomson McLintock. Since 1985 he has worked in corporate finance, being responsible for a substantial number of full list and AIM flotations and secondary transactions over that period.

THE MANAGER

Maclay Inns, which is the manager of the Company is the main operating company of Maclay Group, a profitable company having increased its net asset value by 290% in the period from September 2001 to September 2005. Mr Mallon has been managing director of Maclay Group during that period. Maclay Inns has a successful track record of both acquiring and operating public houses in Scotland.

Maclay Inns has previously managed four EIS companies, each of which has been acquired by Maclay Group at a premium to the £1 per share issue price. The most recent of these was in 2004, when an exit of £1.55 per £1 subscribed was achieved in the case of Thistle Pub Company plc.

Maclay Inns currently operates 21 public houses for its own account throughout Scotland, on a managed basis. In addition Maclay Inns operates 6 public houses for Thistle II. Maclay Inns has extensive experience of public house management, having managed an estate of around this size since the 1970s. The Maclay estate typically consists of "community local" pubs being primarily freehold units which are commonly located outwith major city high street locations or in market towns.

Annual turnover is generally in the range of between £400k and £900k per unit, with a typical food content for such units being in the range 20% to 30% of turnover. In identifying acquisition targets Maclay Inns does not seek exposure to units which are highly seasonal or fashion dependent or where discounted drinks are a feature. The Manager will seek to build a portfolio of properties for the Company which are consistent with the characteristics of the Maclay estate.

The Directors are confident that Maclay Inns' experience will ensure that the public houses to be acquired by the Company will be operated in a professional manner.

Maclay Group can trace its history to around 1830 when James Maclay founded a business in Alloa. A brewery was built in 1870, and in 1871 production at the new Thistle Brewery commenced.

In 2001 Maclay Group concluded its withdrawal from brewing, wholesaling and tenanted pubs to focus on managed pub operations. The restructuring was led by the then Finance Director, Stephen Mallon, who was appointed Managing Director at that time and has led the operating activities since. The team also comprises individuals with extensive licensed trade experience in finance, operations, catering, marketing and procurement.

THISTLE PUB COMPANY II PLC

The objectives of Thistle II are to acquire and operate public houses principally in Scotland. Thistle II is an EIS company managed by the Manager. Its issue closed in June 2005 by which time it had raised £5.4 million before expenses. It acquired its first pub in May 2005 and issued EIS 3 Certificates ahead of plan in July 2005. It has now invested all equity raised in its portfolio which comprises 6 pubs.

The board of Thistle II includes 2 directors in common with the Company, Stephen Mallon and Alan Stewart. Angus Meldrum, the Chairman, is not connected with Thistle II. In the event of any potential conflict of interest between Thistle II and the Company, the conflicted Director will withdraw from voting on the matter which gives rise to the conflict. In any event the articles of association of the Company provide that a conflicted Director cannot vote on such a matter.

DIVIDEND POLICY

It is the intention of the Company to aim for capital growth which, under EIS rules, should be free of tax to qualifying investors who hold the Shares for the Relevant Period and comply with the other EIS rules. Therefore, the Directors do not intend to distribute dividends.

EXIT STRATEGY

As stated above, in view of the relatively long-term nature of the process required to make a pub successful, the Directors anticipate that shareholder reward is unlikely to be maximised until late in 2012 at the earliest. However, in recognition that some shareholders may wish to seek an earlier exit, the Directors will review the situation on a regular basis (but having regard to endeavouring to preserve investors' EIS reliefs). The Directors will consider an exit either by way of a trade sale of the pubs followed by liquidation of the Company or a trade sale of the Shares.

The Directors will, after the Relevant Period in relation to the latest issue of Shares, consider any offer received for the Company and recommend it to the shareholders if appropriate. The Directors will be free to consider offers from any parties for either the Company or the Premises but they do not intend to accept any offer that effectively values the Premises at anything less than their full open market value. Such valuation will assume that the Premises are unencumbered by the Supply Agreement. It should be noted that Maclay Group has the right under the Inter-Company Agreement to be notified by the Company that there has been a third party offer and have the Premises valued to obtain a market valuation after which Maclay Group can make an offer at market value or above for the Premises but the Company is under no obligation to accept the offer from Maclay Group. If Maclay Group does not make a counter offer at or above open market value neither party shall have the right to terminate the Management and Supply Agreements. Therefore, the advantages of the longer-term nature of these agreements combined with the termination provisions should provide investors with no resultant diminution in value at the preferred time of exit.

INTRODUCTORY COMMISSION

Authorised investment advisers will qualify for commission at 2.5% on the level of investment raised by them from their clients.

MANAGEMENT AGREEMENT

The Board believes that a management contract with an experienced manager of public houses will be effective in creating shareholder value. The Management Agreement was negotiated to align the interests of shareholders with the interests of the Manager thereby maximising the prospect of achieving shareholder value.

The fee payable to the Manager for its management services is:

- (a) a basic fee of 0.5 per cent per calendar quarter of all funds which have been used by the Company to acquire, develop and/or refurbish the Premises;
- (b) a performance-related fee of 30 per cent of annual pre-tax profits (not including any profit or loss arising from the sale of units); and
- (c) an exit incentive of 30 per cent of the difference between the aggregate amount that is capable of being returned to the Shareholders on an exit (before deducting the exit incentive) and the aggregate subscription price of the Shares pursuant to the Offers (less the costs incurred by the Company in connection with the Offers) as increased by RPI.

The Company has entered into a Management Agreement with Maclay Inns whereby the Manager will be responsible for the management and operation of all the Premises. The principal responsibilities of the Manager under the Management Agreement are as follows:

- (a) Identifying suitable acquisition opportunities and advising the Board of Directors of these. The Directors believe the Manager's experience of appraising and acquiring public houses together with its market contacts will ensure that the Company receives a good supply of attractive potential acquisition opportunities.
- (b) Management and operation of the Premises including the recruitment and training of staff. These responsibilities will at all times be conducted in a manner that promotes the interests of the Company with a view to retaining its EIS status. The standard of management and operation of the Premises will be reviewed by the Company from time to time.
- (c) Making recommendations to the Company for the refurbishment or maintenance of any of the Premises and to carry out such works in such a manner as the Directors may decide.
- (d) Applying for grant or renewal of licences, as appropriate. It must also ensure that the Premises satisfy all conditions or undertakings granted in connection with their licences and ensure that the Premises do not lose their licences for any reason within the Manager's control.
- (e) All financial reporting and accounting functions relating to the Premises. This requires maintaining proper accounting records including general accounting, payroll, purchasing, general ledger and internal management information systems (including appropriate daily, weekly and monthly reporting). The Manager will produce a monthly statement of operations about each public house for the Company. This statement will include key financial information. The Manager must also ensure that proper banking arrangements are in place together with effective credit control procedures, budgeting controls and stocktaking.

The Management Agreement will endure until 30 June 2013. It may however be terminated earlier for material breach by either party or if either party ceases to trade, or enters liquidation or receivership or administration. The Management Agreement provides for the possibility of immediate termination on a change of control of Maclay Group or Maclay Inns. Furthermore, the Management Agreement can be terminated in certain circumstances relating to offers for the Premises or the Shares as more fully described in paragraph 8.4 of Part 5 of this document.

SUPPLY AGREEMENT

The Supply Agreement binds the Company to purchase its supplies from Maclay Inns. Supplies covered by this Agreement include draught, canned and bottled beers and ciders as well as other specified drinks including whisky, gin, vodka, wine and a broad range of other alcoholic drinks. Non-alcoholic drinks including minerals, juices and cordials are also included.

Under the Supply Agreement Maclay Inns will supply all supplies at the original purchase price paid by Maclay Inns, including any discount or rebates, for resale by the Company.

The longer term duration of both the Management and Supply Agreements governing management and supply affords investors a degree of protection from the risks associated with changes in management or key suppliers. This anticipated stability is intended to support the investment strategy which focuses on long-term capital growth underpinned by a reliable revenue base.

TRENDS IN THE LICENSED TRADE PROPERTY MARKET IN SCOTLAND

The Directors believe the current state of the licensed trade and leisure sector of the Scottish property market remains buoyant. There continues to be high demand for quality pub units with the best properties still attracting premium price levels. There are over 5,000 public houses in Scotland and the Directors believe the majority remain in the ownership of independent operators.

The Directors believe that despite the presence of many branded and unbranded large city centre pubs, bars and restaurants, there remains a strong customer demand for the smaller traditional pub offering, the “community local” pubs. Such demand is particularly apparent to the Directors in city suburbs, university campus areas and market towns.

It is the view of the Directors that acquisition opportunities will continue to arise both from sales by individuals and corporate operators. Individuals’ decisions to sell are often lifestyle driven. Corporate sales usually arise from a strategic review of preferred market segments often following an acquisition.

The Manager has experience of acquiring, developing and running “community local” pub units. The Directors and the Manager believe that there are likely to be opportunities to acquire similar units in the near future and thus offer investors the prospect of capital growth. The increasing levels of barrelage discount available from the major brewers to pub operators, coupled with relatively low interest rates in the last few years, have also assisted the level of activity within the market.

There are two main issues that might impact on the licensed trade in Scotland which the Directors consider to be significant and could affect, directly or indirectly, the Company’s operations. The first is the longer term implications of the restrictions on smoking in licensed premises (introduced in March 2006), and the second is the changes to the legislative environment which will follow from the Licensing (Scotland) Act 2005 the requirements of which are scheduled for implementation, substantially, in 2009.

With regard to the former, the Directors believe that, based on emerging evidence on the impact of the restrictions in Scotland and Ireland, where smoking restrictions were adopted in March 2004, “community local” pubs with a reasonable food content will be largely unaffected by a restriction on smoking. The Directors also believe that changes in the licensing laws are unlikely to impact adversely on “community local” pubs.

Generally, the Directors believe trading conditions within the pub sector in the current financial year show continued strength and continue to attract significant levels of investment. The Directors are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company’s prospects for at least the current financial year.

PART 2: THE OFFERS AND INFORMATION ON THE COMPANY

THE OFFERS

The Directors propose to raise up to £7.5 million by the issue of up to 7.5 million Shares at a price of £1 per Share. Maclay Group, the parent company of Maclay Inns, has irrevocably undertaken to invest at least 5% of the aggregate number of shares issued under the Offer. The expenses of the Offers assuming maximum subscription, which are payable by the Company, are estimated at £552,188 (plus Value Added Tax where applicable), including the potential commissions of up to £178,125 payable to the introducers of finance (based on full commission on maximum subscription). The net proceeds (assuming that the maximum subscription is achieved) are, therefore, estimated at approximately £6.95 million.

The subscription list for the Offers will be open on 13 October 2006 and may be closed at any time thereafter if the maximum subscription has been reached. Applications in respect of the allotment of Shares under the 2006/2007 Offer must be received by no later than 3.00 p.m. on 2 April 2007 and the final time and date for receipt of applications for the 2007/2008 Offer is 3.00 p.m. on 31 May 2007 unless either or both of the Offers has been extended prior to that date by the Directors.

The minimum investment per applicant is £2,000. The maximum investment per applicant is limited to £400,000 per tax year if the investor wishes to benefit from all EIS taxation reliefs. Capital gains tax deferral relief should also be available on any amount invested. The Directors reserve the right to exercise their discretion in the allocation of successful applications although allocation will usually be on a first come first served basis. Any applications under the Offers may be accepted in whole or in part at the Directors' discretion. Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful and the first closing date for receipt of Application Forms under the 2006/2007 Offer is 15 December 2006. The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. If the Minimum Subscription has not been raised by 2 April 2007 the 2006/2007 Offer will be withdrawn. If the 2006/2007 Offer has been withdrawn and the Minimum Subscription has not been raised by 31 May 2007, the 2007/2008 Offer will also be withdrawn. If the Minimum Subscription is achieved but the Offers are not fully subscribed, the Directors may seek to keep the 2006/2007 and/or 2007/2008 Offer open at their discretion, but until no later than 12 months after the date of this document. The Directors reserve the right to allot Shares at any time following receipt of the Minimum Subscription and to close the Offer(s) at any time. The subscription monies will be kept in separate bank accounts and, if the Minimum Subscription has not been achieved by 2 April 2007 in respect of the 2006/2007 Offer or 31 May 2007 in respect of the 2007/2008 Offer or if any application is scaled back, subscription monies will be refunded without interest within 14 days of the relevant Offer closing or being withdrawn and no commission will be payable to introducers of potential investors. The Offers are subject to a minimum subscription of £500,000 being achieved, this condition can only be waived through the production of a supplementary prospectus. Any conditions of the Offers can only be waived through the production of a supplementary prospectus, in which event applicants will have the right to withdraw their applications.

The Shares will, following allotment, rank *pari passu* in all respects with the existing issued ordinary shares and will have the right to receive all dividends and further distributions thereafter declared, made or paid in respect of the issued ordinary share capital of the Company.

The Offers are only being made to persons resident in the United Kingdom. Where an application appears to be made by an applicant not so resident, the Directors may request the applicant to prove that he is entitled to apply and, if they are not so satisfied, the application may be rejected by the Directors. Further details of application under the Offers are contained in the Appendix and an explanation of EIS rules and reliefs for investors is contained in Part 4 of this document.

The advisers named as acting for the Company on page 9 of this document are acting only for the Company and no one else in relation to the arrangements proposed in this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of such advice in relation to the Offers.

An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this document. Applicants should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Attention is drawn to the section entitled "Risk Factors" contained on pages 7 and 8 of this document.

INTRODUCTORY COMMISSION

Authorised investment advisers will qualify for commission at 2.5% on the level of investment raised by them from their clients.

REPORTING TO INVESTORS

The Company intends to send unaudited interim half yearly reports to investors in addition to the audited annual report and accounts.

PART 3: ACCOUNTANTS REPORT

Saffery Champness
CHARTERED ACCOUNTANTS

Edinburgh Quay
133 Fountainbridge
Edinburgh EH3 9BA

Telephone 0131 221 2777
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The Directors
Thistle Pub Company III plc
c/o Saffery Champness
Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9BA

The Directors
Brewin Dolphin Securities Limited
12 Smithfield Street
London
EC1A 9BD

13 October 2006

Dear Sirs

Thistle Pub Company III plc (“The Company”)

We report on the financial information set out in this Part 3 of the Prospectus. The financial information has been prepared for inclusion in the Company’s Prospectus dated 13 October 2006 (“Prospectus”) on the basis of the accounting policies set out in note five to the financial information. This report is required by Annex I item 20.1 of the PD Regulation (Prospectus Directive Regulation) and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under Annex I item 20.1 of the PD Regulation to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Introduction

The Company was incorporated in Scotland on 14 August 2006 with registered number SC306747 with an authorised share capital of £5,000,000 divided into 10,000,000 ordinary shares of £0.50 each. Two shares were issued to the subscribers to the Memorandum of Association. The financial information set out below has been extracted from the audited financial statements of the Company for the period from incorporation on 14 August 2006 to 30 September 2006.

M J Floydd, R Ludwig*, D Hughes, E McInroy CTA*, W J Fone, G J Holbourn, M E Webster, C A H Nicholson, C J H Adams, P R N Adams, A G D Arnott, M G Lichten, A N Gaskell, M J Harrison, C R C Bowen, S J Garrard, A J Fletcher, N J Kelsey, P J Horsman, R T Elliott, C W D Macey, M J Beattie CTA*, S R Collins, K T Bartlett, D C Wragg, J R Shuffrey, J Barnes, D J Farnan, L J Sowden, S W Swift, A R Robinson, N F Fernyhough, D T Kakkad, R K Moore ATT*, M P Johnson, J J Sykes, E Brierley, P F Langdon, D G M Gordon*, H F Green, P A Hall*, L G Mosca, C H M Simpson, J J Lane CTA*, M Di Leto, T P L Adams, C E Cromwell, M A J Holden FCCA*, T M T Gregory, D Lemon, J E A Hellen FCCA*, J M Hill FCCA*, S A Mathieson FCCA*, M E G Burton ACCA*

* All partners are Chartered Accountants except where indicated

Consultants

D H Fox, D S Watson

Offices in the British Isles at Bournemouth, Bristol, Edinburgh, Guernsey, Harrogate, High Wycombe, Inverness, London, Manchester, Peterborough
Regulated by the Institute of Chartered Accountants in England and Wales
for a range of investment business activities



INVESTOR IN PEOPLE



Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes and in accordance with United Kingdom Auditing Standards. The Directors of the Company are also responsible for the content of the Prospectus dated 13 October 2006 in which this report is included.

It is our responsibility to form an opinion on the financial information giving a true and fair view for the purposes of the Prospectus and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material mis-statement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at 30 September 2006, in accordance with the basis of preparation set out in note five.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Prospectus in compliance with paragraph 1.2 of Annex I of the PD Regulation.

Yours faithfully

A handwritten signature in black ink that reads "Saffery Champness". The signature is written in a cursive, slightly slanted style.

Saffery Champness

Chartered Accountants

1. Balance sheet at 30 September 2006

Current Assets	£
Debtors	1
	<u>1</u>
	<u><u>1</u></u>
Capital and Reserves	
Called up share capital (equity)	1
	<u>1</u>
	<u><u>1</u></u>

2. Statement of Changes in Equity

Share capital subscribed in the period.	1
	<u><u>1</u></u>

3. Income Statement

An income statement has not been prepared as the Company has not traded.

4. Statement of Cash Flows

A cash flow statement has not been prepared as the Company had no cash transactions during the period.

5. Notes to the Financial Statements

5.1 Accounting Policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

5.1.1 Basis of Accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

5.1.2 Going Concern

The financial information has been drawn up on the going concern basis.

5.2 Share Capital

	<i>As at 30 September 2006</i>	
	<i>Number</i>	<i>Nominal Value</i>
		£
Authorised		
Ordinary shares of £0.50 each	10,000,000	5,000,000
	<u>10,000,000</u>	<u>5,000,000</u>
	<i>Number</i>	<i>Nominal</i>
		£
Issued and called up		
Ordinary shares of £0.50 each	2	1
	<u>2</u>	<u>1</u>

5.3 Share Issue Expenses

The costs incurred by the Company in connection with the proposed issue will be written off against the share premium account.

PART 4: SUMMARY OF EIS RULES AND TAX RELIEFS FOR INVESTORS

The following summary of the tax implications of an investment in Shares in the Company is based on current law and HM Revenue & Customs practice in the UK all of which are liable to change. It has been prepared at the request of the Company in the form and context in which it is included by and with the consent of Saffery Champness, chartered accountants, whose business address is Edinburgh Quay, 133 Fountainbridge, Edinburgh EH3 9BA, for inclusion in this document but does not constitute tax advice to any prospective investor.

Saffery Champness, for the purposes of Prospectus Rule 5.5.3R(2) (f), accepts responsibility for its report as Part 4 of the Prospectus and declares that it has taken all reasonable care to ensure that the information contained in its report is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Prospectus in accordance with paragraph 1.2 Annex I of the Prospectus Directive Regulation.

Prospective investors should consult their own professional advisers on the tax implications of making an investment.

1. Introduction

To obtain the tax reliefs described below it is necessary to subscribe for ordinary shares in a qualifying company and claim the relief. The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40 per cent tax payer. It does not set out all the rules which must be met for periods of between three and five years by the investor and the Company. The tax reliefs will only be relevant to investors who pay income tax and/or wish to defer a capital gain.

2. EIS Relief

2.1 Individuals

a. *Income Tax Relief*

A qualifying investor is able to reduce his liability to income tax in the year of investment. Relief is obtained at the lower rate of tax, currently 20% of the amount invested in the Shares of the EIS company. The maximum qualifying investment by an individual in any number of EIS companies in a tax year is currently £400,000.

Example

	£
Gross investment in shares	10,000
Less tax relief @ 20%	(2,000)
Net cost of investment	8,000

An investor can apply for Shares issued before 6 October in a tax year to be treated as if they had been issued in the preceding tax year. The maximum carry back under these provisions is restricted to the lower of half the Shares subscribed for by the individual and £50,000.

b. *Capital Gains Tax Exemption*

Qualifying investors are exempt from capital gains tax on gains arising on the disposal of their shares in the EIS company provided that the disposal takes place after the end of the Relevant Period and also provided that EIS income tax relief has not been previously withdrawn.

Example

	£
Realised value of shares after end of relevant period	20,000
Original gross investment in shares	(10,000)
Tax free gain	10,000

c. *Capital Gains Tax Taper Relief*

Gains made on investments over the EIS £400,000 threshold will be taxable but should qualify for business taper relief. Under current legislation, business taper relief reduces the effective tax rate payable on gains arising on disposal to 10% after two years. Where the Shares cease to qualify for the capital gains tax deferral under the EIS rules within the Relevant Period, taper relief should be available in respect of the gain arising.

d. *Loss Relief*

Any losses made in respect of EIS Shares, net of any income tax relief attributable to them, may be offset against other capital gains of the qualifying investor. It may also be possible to set off any net losses against taxable income in the year of the loss or the preceding year.

e. *Capital Gains Tax Deferral Relief*

Qualifying investors can defer the liability to capital gains tax arising on the disposal of any asset by investing an amount equivalent to the gain in the Shares of EIS companies. The subscription must be made and the EIS Shares issued in the period beginning 12 months before and ending 36 months after the date of disposal in respect of which the relief is claimed.

Although there is a limit of £400,000 for income tax relief and the capital gains tax exemption there is no limit on the amount of gains that can be deferred. (There are however, practical limits by reference to the gross assets of the company and the size of the investment.)

Investors should note that this is a capital gains tax deferral only and the original liability will crystallise on the disposal of the Shares whether for a profit or a loss. Further deferral relief may be available in respect of the crystallised gain.

Example (assumes a higher rate tax payer has realised on other investments a chargeable gain of £10,000)

	£
Gross investment in shares	10,000
Less income tax relief (@ 20%)	(2,000)
Less capital gains tax deferral (@ 40%)	(4,000)
Net cost of investment	4,000

f. *Serial Entrepreneur's Relief*

Investors who defer a chargeable gain arising on the disposal of an EIS investment by reinvesting the gain in shares of another EIS company can benefit from taper relief on a cumulative basis. As a result taper relief, which reduces the amount of a chargeable gain according to how long an asset has been held after 5 April 1998, will be calculated on the deferred gain over the combined period for which both investments (and further investments if the gain is further deferred) are held. This relief is available where the shares in the first EIS company were issued after 5 April 1998 and are disposed of after 5 April 1999.

g. *Inheritance Tax Relief*

Unquoted shares in an EIS company should in most cases qualify for 100% exemption from inheritance tax in the event of the death of a shareholder as long as the shares have been held for at least two years.

2.2 Trustees

Certain trustees are entitled to claim capital gains deferral relief. This enables them to defer capital gains tax, otherwise payable at a rate of up to 40% through investing the amount of a chargeable gain in EIS qualifying companies.

a. *Eligible Trusts*

- i UK resident settlements with sufficient powers of investment and delegation.
- ii The trust property on which the gain to be deferred was incurred was, broadly, held by the trustees either:

- a. on discretionary trusts provided the beneficiaries are all individuals or charities; or
 - b. subject to interests in possession held by beneficiaries any one of whom is an individual or a charity.
- iii Where persons other than individuals hold interests in possession in the settled property, there are provisions to apportion the tax relief.

b. Tax Advantages

Trustee investors may claim:

- i. Capital gains deferral relief – defers an amount of chargeable gains by investment of an amount equivalent to the chargeable gain.
- ii. Capital gains taper relief – any gain on the investment itself should benefit from taper relief which could reduce the amount of the gain that is chargeable to capital gains tax by as much as 75%.
- iii. Loss relief – normal capital gains tax loss relief applies on losses on the investment itself.
- iv. EIS income tax relief and capital gains tax exemption are not available to trustees.

3. Venture Capital Trusts/EIS Funds

It is considered that the Shares should constitute “Eligible Shares” and that, in so far as the conditions that apply to the Company are concerned, the Shares will be a “Qualifying Holding” for the purposes of investments by Venture Capital Trusts/EIS Funds.

4. Corporate Venturing Scheme

Companies investing through the CVS may obtain the following reliefs:

- a. corporation tax relief (at 20%) on the amount invested;
- b. relief for most allowable losses (net of investment relief) on the shares (against either income or chargeable gains);
- c. deferral of corporation tax on a chargeable gain from the disposal of CVS qualifying shares where that gain is reinvested in a new CVS investment.

5. Taxation on Dividends

Under current legislation, no advance corporation tax is payable by the Company on dividends and therefore no tax will be withheld by the Company at source. Shareholders will receive a notional tax credit on dividends paid, such that basic rate tax payers will have no further tax to pay on the dividend received and higher rate tax payers will have a liability to pay a higher rate tax equivalent to 25% of the amount of the dividend received.

6. Stamp Duty/Stamp Duty Reserve Tax

Under the issue arrangements, no stamp duty or stamp duty reserve tax (“SDRT”) will be payable by the applicants on the issue of the Shares.

PART 5: ADDITIONAL INFORMATION

1. The Company

The Company, whose principal place of business is at Unit 2/4, The e-Centre, Cooperage Way Business Village, Alloa FK10 3LP and telephone number is 01259 272090, was incorporated in Scotland on 14 August 2006 under the Act as a public company limited by shares (registered number SC306747) with the name Thistle Pub Company III plc.

The registered office of the Company is c/o Saffery Champness, Edinburgh Quay, 133 Fountainbridge, Edinburgh EH3 9BA and telephone number is 0131 221 2777.

Subject to receipt of the minimum subscription under the Offers, the Company will apply to the Registrar of Companies for a certificate under section 117 of the Act entitling it to do business and to borrow.

The liability of the members of the Company is limited.

The accounting reference date of the Company is 30 September in each year.

2. Share Capital

2.1 At the date of this document the authorised share capital of the Company is £5,000,000 divided into 10,000,000 ordinary shares of 50 pence each. Two Shares, which are fully paid and represents an issued share capital of £1, have been issued for cash at par and are held by Donald Granger Brash and David Ness Dunsire as nominees for Tods Murray LLP.

2.2 Since incorporation of the Company there has been no change in the amount of the issued share or loan capital of the Company; and no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3. Subsidiaries

The Company has no subsidiaries.

4. Memorandum and Articles of Association

4.1 The Memorandum of Association of the Company provides that the Company's principal object and purpose is to carry on business keeping public houses and comparable establishments. The objects and purposes of the Company are set out in full in clause four of the Memorandum of Association.

4.2 Rights attaching to Shares

a. Voting

On a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) is present by a duly authorised representative has one vote for every Share held.

The Company currently has two nominee members and none of them have different voting rights and furthermore no member will have different voting rights from the other members following the Close of the Issue.

b. Dividends

The Company may by ordinary resolution declare dividends, provided that no such dividends shall exceed the amount recommended by the Directors. The Board may pay interim dividends in accordance with the Act. No dividend in respect of a Share shall bear interest. A dividend unclaimed for a period of twelve years after having been declared shall be forfeited and shall revert to the Company.

c. Return of Capital

On a winding up of the Company (whether voluntary, under supervision or by the court), the balance of the assets of the Company available for distribution shall, with the sanction of an extraordinary resolution of the Company, be divided amongst the members in such manner as shall be determined by the liquidator.

d. Pre-emption rights in offers for subscription of Shares

The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company.

4.3 Transfer of Shares

All transfers of Shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Directors. The instrument of transfer must be signed by or on behalf of the transferor (and, in the case of a partly paid share, also by or on behalf of the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered into the register of members in respect of it. The Directors may, in their absolute discretion and without giving any reason, decline to register any transfer of a Share: which is not fully paid up; on which the Company has a lien; in respect of more than one class of share; in favour of more than four joint transferees; or unless lodged (duly stamped if necessary) at the registered office together with the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer provided that such discretion may not be exercised in such a way as to prevent dealings from taking place on an open and proper basis.

If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days) in any year.

4.4 Disclosure of interests in Shares

If a member, or any other person appearing to be interested in Shares held by that member, has been duly served with a notice under section 212 of the Act and has failed in relation to any Shares (the 'restricted shares') to give the Company the information thereby required within the prescribed period from the date of notice, the following shall apply:

- a. the member shall not be entitled in respect of the restricted shares to attend or to vote (either in person or by proxy or representative) at a general meeting or at a meeting of the holders of any class of shares;
- b. where the member's restricted shares represent at least 0.25% in nominal value of the issued shares of the class concerned, the Directors may also give notice that:
 - i. no sums (whether capital or dividend or otherwise) shall be paid in respect of the restricted shares except on winding up; and
 - ii. no transfer of any restricted shares shall normally be registered.

4.5 Changes in Capital

The Company may:

- a. by ordinary resolution increase its share capital by such sum to be divided into Shares of such amounts as the resolution shall prescribe;
- b. by ordinary resolution consolidate and/or sub-divide all or any of its Shares and may determine that different rights shall attach to the Shares resulting from sub-division;
- c. by ordinary resolution cancel any Shares not taken or agreed to be taken; and
- d. by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner permitted by law.

4.6 Variation of Rights

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of Shares may be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Shares of that class (but not otherwise). The quorum for such separate general meeting shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued Shares of the relevant class.

4.7 Directors

a. Interests in Contracts

Subject to the provisions of the Act and of the Articles, a Director shall not be disqualified by his office from contracting with the Company. A Director interested in a contract, arrangement or proposal with the Company shall declare his interest at a meeting of the Directors. Save as provided in the Articles, a Director shall not vote or be counted in the quorum on a resolution of the Directors in respect of any contract, arrangement or proposal in which he knows he has a material interest (otherwise than by virtue of his interests in Shares or debentures or other securities of or otherwise in or through the Company). A Director shall (in the absence of some other material interest than those indicated below) be entitled to vote and be counted in the quorum on a resolution concerning certain matters which include:

- i. the giving of any security or indemnity in respect of money lent or obligations undertaken by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- ii. the giving of any security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings which he himself has guaranteed or secured;
- iii. where the Company or any of its subsidiary undertakings is offering securities in which he may be entitled to participate as a holder of securities or in the underwriting of which he is to participate;
- iv. a proposal concerning a HM Revenue & Customs approved superannuation fund or retirement, death or disability benefits scheme in which no Director is accorded an advantage not accorded to the employees; and
- v. any arrangement for insurance for the benefit of Directors or for persons who include the Director.

Without prejudice to the above, any Director who is a director of, or the beneficial owner of shares in, Maclay Group (or any company in its group) shall not be counted in the quorum or vote in respect of (i) the appointment of a valuer who is to fix the market value of the Shares or the Premises; or (ii) the consideration of any offer, received from Maclay Group (or any company in its group), to acquire the whole or substantially the whole of the Shares or the Premises.

b. Directors' Remuneration

The Directors shall be entitled to such remuneration as the Company may by ordinary resolution determine. The Directors are entitled to be repaid all reasonable travel, hotel and other expenses incurred by them in or about the performance of their duties as Directors, and if in the opinion of the Directors services going beyond ordinary duties are performed, the Director concerned may be paid such extra remuneration as the Directors may determine.

c. Number and Share Qualification

Unless otherwise determined by ordinary resolution of the Company the number of Directors (other than alternate directors) shall not be less than two or more than five. A Director is not required to hold any Shares by way of qualification.

d. Appointment, Retirement and Removal

A person willing to act as a Director may be appointed by ordinary resolution of the Company or by the Directors. The Articles do not require a Director to retire by rotation or to vacate office on attaining the age of seventy. Without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, any Director (a) may be removed from office by ordinary resolution of the Company of which special notice has been given in accordance with the Act and (b) shall vacate his office if the other Directors so request in writing.

e. Alternate Directors

Each Director (other than an alternate Director) has the power to appoint an alternate Director and to remove such an alternate Director. If the alternate Director is not already a Director, the appointment, unless previously approved by the other Directors, shall have effect only upon approval by the other Directors. An alternate Director can attend and vote as a Director at any board meetings at which the Director appointing him is not personally present and can furthermore exercise and discharge all the functions, powers and duties of his appointer as a Director.

An alternate Director has one vote for each Director for whom he acts as an alternate, in addition to his own vote if he is also a Director. If the alternate Director's appointer ceases to be a Director then the alternate Director shall also cease to be an alternate Director.

4.8 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and, subject to the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate principal amount from time to time outstanding in respect of all borrowings by the Company and its subsidiaries (exclusive of intra-group borrowings) shall not at any time, without previous sanction of an ordinary resolution of the Company, exceed an amount which, though subject to adjustment in accordance with the Articles, is generally equal to the sum of the Company's paid-up share capital and any share premium account from time to time.

4.9 Pensions and Benefits

The Directors may establish, maintain, participate in or contribute to any pension, superannuation, life assurance or other scheme providing for pensions or other benefits for any person who is or has at any time been a director of or employed by or in the service of the Company or any subsidiary company or company associated with the Company, and including the spouses, widows, widowers, and families of such persons. Save as otherwise provided by the Articles, approval by an ordinary resolution of the Company shall be required for a pension or similar benefit to be granted to a Director or former Director who has not been an executive Director or held any other office or place of profit in the Company or its subsidiaries, or to a person who has no claim on the Company except as a relation or connection of such a Director or former Director.

4.10 Proceedings of the Board

The quorum necessary for a Board meeting shall be two. In the event that a Board meeting is inquorate then it shall stand adjourned for one week to the same time and place and at such adjourned meeting any two Directors shall be a quorum. Where one or more Directors are conflicted in regards to a resolution of the Board to the extent that there is only one Director who is not conflicted, that Director shall be a quorum.

Notice of a Board meeting shall be deemed to be properly given to a Director if it is given to him personally or by word of mouth or sent in writing to him at his last known address, or any other address given by him to the Company for this purpose. A Director, or the Company secretary at the request of a Director, can at any time summon a Board meeting.

Questions arising at Board meetings are determined by a majority of votes and in the case of an equality of votes the Chairman of the meeting shall have an additional or casting vote.

In the situation where a question arises as to the materiality of the interest of a Director or his entitlement to vote or be counted in the quorum, and the Director concerned does not agree to abstain from voting or not be counted in the quorum, the question shall be referred to the Chairman. However, if the Director involved is the Chairman then the matter shall be resolved by resolution of the Board and the Chairman shall not be entitled to vote on such a matter.

4.11 Calling of annual general meetings and extraordinary general meetings

All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings. The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the Act.

The Board may convene an extraordinary general meeting of the Company whenever it thinks fit and must do so immediately on receipt of a requisition from members pursuant to the Act with the date of the extraordinary general meeting not to be later than six weeks after deposit of the requisition. If at any time there are not sufficient Directors within the United Kingdom to form a quorum, any Director or any two shareholders may convene an extraordinary general meeting in the same manner as may be as possible as that in which meetings may be convened by the Board.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 clear days' notice. All other extraordinary general meetings of the Company shall be called by not less than 14 clear days' notice in writing.

The notice shall specify:

- a. the place, day and time of the meeting;
- b. if the meeting is an annual general meeting, that the meeting is such;
- c. with reasonable prominence, that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him;
- d. in the case of special business, the general nature of that business; and
- e. if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such.

Notice of every general meeting shall be given to all shareholders (other than any who, under the provisions of the Articles or the terms of issue of the Shares they hold, are not entitled to receive notice from the Company), to the Board and to the auditors of the Company.

A general meeting may be called by shorter notice if it is so agreed in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting, and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the Shares giving that right.

A notice of general meeting may specify a time, being not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the register of members of the Company in order to have the right to attend or vote at the meeting. Furthermore for the purpose of giving notice, the Directors can decide that the persons entitled to receive notices are those entered on the register of members of the Company on the close of business on a certain day, such date not being more than 21 days before the date on which the notice of the general meeting was despatched.

The accidental omission to give notice of the meeting or (in cases where it is sent out with the notice) an instrument of proxy to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings at that meeting.

5. Directors

- 5.1 Details of the Directors and their functions in the Company are set out in Part 1 of this document under the heading "Directors". Each of the Directors can be contacted at the Company's registered office at c/o Saffery Champness, Edinburgh Quay, 133 Fountainbridge, Edinburgh EH3 9BA.
- 5.2 The Directors have the management expertise and experience as set out in Part 1 of this document under the heading "Directors".
- 5.3 Other than current directorship of the Company, during the past five years immediately prior to the date of this document the Directors have been members of the administrative, management or supervisory bodies or partners of the companies or partnerships specified below (excluding, save where set out below, subsidiaries of any company of which he is also a member of the administrative, management or supervisory bodies):

<i>Directors</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Angus Alexander Meldrum	North British Trust Hotels, Limited An Lochran	Belhaven Brewery Group plc (now called The Belhaven Group Limited) The Arrow (Glasgow) Limited (now called Chrysalis Mobile Solutions Limited) Maclay Group plc
Alan Geoffrey Stewart	Thistle Pub Company II plc	
Stephen Gerard Mallon	Maclay Group plc Maclay Wholesalers Limited Maclay Inns Limited Second Maclay Pub Company plc Third Maclay Pub Company plc First Maclay Pub Company plc Euro-Ales Limited Maclay's of Alloa Limited Thistle Pub Company Limited Thistle Pub Company II plc Danegeld (Developments) Limited Darnley Mill Leisure Limited	Laymac Limited (dissolved)

5.4 None of the Directors has in the five years immediately preceding the date of this document:

- a. been convicted in relation to any fraudulent offences;
- b. been declared bankrupt or been subject to any individual voluntary arrangement, or been associated with any bankruptcy, receivership or liquidation in his/her capacity as a director or senior manager of another company;
- c. been a partner or senior manager in any partnership which has been subject to a compulsory liquidation, administration or partnership voluntary arrangement; or
- d. been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or entity, or from acting in the management or conduct of the affairs of any company or entity.

6. Directors' Service Contracts and Remuneration

The existing contractual arrangements between the Company and the Directors are as follows:

- 6.1 By a letter of appointment dated 12 October 2006 between (1) the Company (2) Angus Meldrum ('Mr Meldrum') and (3) the Firm of Lochgreen Consultants ('Lochgreen Consultants'), Lochgreen Consultants has agreed to provide the services of Mr Meldrum as non-executive chairman of the Company for an initial period of two years, and thereafter until the expiry of six months' notice given by the Company or Lochgreen Consultants. The fee payable to Lochgreen Consultants for the services of Mr Meldrum is £17,500 per annum. Other than any unpaid fee or reimbursement of reasonable expenses, no benefit is given to the Director on termination of his employment.
- 6.2 By a letter of appointment dated 12 October 2006 between (1) the Company and (2) Brewin Dolphin, Brewin Dolphin has agreed to provide the services of Alan Stewart ('Mr Stewart') as non-executive director of the Company for an initial period of two years, and thereafter until the expiry of six months' notice given by the Company or Brewin Dolphin. The fee payable to Brewin Dolphin is £10,000 per annum. Other than any unpaid fee or reimbursement of reasonable expenses, no benefit is given to the Director upon termination of his employment.
- 6.3 By a letter of appointment dated 12 October 2006 between (1) the Company and (2) Stephen Mallon ('Mr Mallon'), Mr Mallon has agreed to provide his services as executive director of the Company for an initial period of two years, and thereafter until the expiry of six months' notice

given by the Company or Mr Mallon. The fee payable to Mr Mallon is £10,000 per annum. Other than any unpaid fee or reimbursement of reasonable expenses, no benefit is given to the Director on termination of his employment.

- 6.4 It is estimated that the aggregate fees payable to the Directors by the Company for the financial period ending on 30 September 2007 under the arrangements in force at the date of this document will not exceed £30,000.

7. Directors' and Other Interests

- 7.1 Maclay Inns, a subsidiary of Maclay Group, has entered into the Management Agreement, the Supply Agreement and the Inter-Company Agreement with the Company and therefore Mr Mallon, as managing director of Maclay Group and a director of the Company is interested in such agreements. With the exception of Mr Mallon's interest noted above, there are no other conflicts of interest between the Directors' duties to the Company and their private interests or other duties.
- 7.2 In so far as is known by the Company, (other than the interest of Maclay Group as set out in pages 3 and 12 and paragraph 8.6 of this Part 5) no person has, either directly or indirectly, an interest in the Company's share capital or voting rights which is notifiable under the Company's national law. As set out on pages 3 and 12 and paragraph 8.6 of this Part 5, Maclay Group has undertaken to take at least a 5% interest in the equity of the Company.
- 7.3 The Company does not actively comply with any corporate governance regime in the UK, as it is not a UK publicly listed company.

8. Material Contracts

The following is a summary of each of the contracts, which are or may be material, that have been entered into by the Company, otherwise than in the ordinary course of business, since incorporation or contain any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- 8.1 Under an agreement dated 12 October 2006 between (1) the Directors, (2) the Company, (3) Brewin Dolphin and (4) the Manager ('the Offer for Subscription Agreement'), Brewin Dolphin has undertaken as agent of the Company to assist in the procurement of subscribers under the Offers. The Offer for Subscription Agreement is conditional on the Company raising the Minimum Subscription by way of valid applications by no later than 2 April 2007 in respect of the 2006/2007 Offer or, if not so achieved, by 31 May 2007 in respect of the 2007/2008 Offer.

Under the Offer for Subscription Agreement the Company will pay Brewin Dolphin total fees of 7.75% of the gross funds raised for the Company less the fees payable to lawyers, accountants, printers, registrars, outlays, commissions payable to authorised intermediaries under the FSMA and any applicable VAT. No such total fees, however, shall be payable in respect of the proposed subscriptions by Maclay Group as described in this document.

Under the Offer for Subscription Agreement, which may be terminated by Brewin Dolphin in certain circumstances, certain warranties, which are customary for an agreement of this nature, have been given by the Company and the Directors to Brewin Dolphin. The Company has also agreed to indemnify Brewin Dolphin in respect of certain of its obligations under the Offer for Subscription Agreement.

- 8.2 Under a management agreement dated 12 October 2006 among (1) Maclay Inns (2) the Company and (3) Maclay Group ('the Management Agreement'), Maclay Inns has agreed to locate and recommend suitable Premises for acquisition by the Company to enable the Company, on approving such acquisitions (a) to invest at least 80% of the funds raised under the Offers within the later of 12 months from the Close of the Issue and 12 months from the date of commencement of trade, and the balance within the following 12 months, and (b) to invest all such funds in such manner as shall allow the Company to maintain its qualifying status under the Enterprise Investment Scheme. Except for provisions entitling (a) either party to terminate the Management Agreement early on account of material breach and certain other restricted factors such as insolvency, or (b) the Company to terminate the Management Agreement on a change of control in either Maclay Group or Maclay Inns, the Management Agreement will endure until 30 June 2013. On the Company becoming aware of a change of control in either Maclay Group or Maclay Inns, the Company may give 135 days' written notice to terminate the Management Agreement or immediately terminate the Management Agreement

on paying a termination penalty or elect for any combination of notice and termination payment. The Company cannot terminate the Management Agreement without also terminating the Supply Agreement. The Manager has undertaken to assist the Company to procure any required borrowing facilities at the best rates reasonably obtainable. The Manager shall, in accordance with the Company's policies from time to time and without sub-contracting its responsibilities, manage and operate the Premises in accordance with a schedule of duties set out in the Management Agreement. Monies received directly by the Manager on behalf of the Company will be paid into a bank account in the Company's name. The Manager will be responsible for maintaining insurance cover in the Company's name. Staff working in the Premises will be employed by the Manager but wages and related costs will be recovered from the Company by the Manager. The Management Agreement provides that a party affected by certain events of force majeure will not be responsible for delay in performance or non-performance caused by those events. The obligations of the Manager are guaranteed by Maclay Group.

- 8.3 Under a supply agreement dated 12 October 2006 between (1) Maclay Inns ('the Supplier') and (2) the Company ('the Supply Agreement'), Maclay Inns has agreed to supply to the Company all supplies at the same price that it purchases or acquires such supplies for itself (taking into account all discounts, rebates, volume rebates and commissions received by Maclay Inns). The Company agrees to purchase those items exclusively from the Supplier, but in certain limited circumstances is entitled to sell specified beers (in bottles, cans or other small packages) acquired from other sources if they are of a different type from the products offered to the Company by the Supplier. Except for provisions entitling (a) either party to terminate the Supply Agreement early on account of material breach and certain other restricted factors such as insolvency or (b) the Company to terminate the Supply Agreement on a change of control in either Maclay Group or Maclay Inns, the Supply Agreement will endure until 30 June 2013. On the Company becoming aware of a change of control in either Maclay Group or Maclay Inns, the Company may give 135 days' written notice to terminate the Supply Agreement or immediately terminate the Supply Agreement on paying a termination penalty to Maclay Inns under the Management Agreement or elect for any combination of notice and termination payment. The Company cannot terminate the Supply Agreement without also terminating the Management Agreement.
- 8.4 Under an inter-company agreement dated 12 October 2006 among (1) the Company (2) Maclay Group and (3) Maclay Inns ('the Inter-Company Agreement'), Maclay Group has made certain contractual arrangements with the Company which, *inter alia*, will in certain circumstances override the terms of the Management Agreement and the Supply Agreement. Except for provisions entitling one party to terminate the Inter-Company Agreement early on account of another party's material breach and certain other restricted factors such as insolvency, the Inter-Company Agreement will endure until 30 June 2013. The Inter-Company Agreement sets out agreed rules which will apply if at any time an offer is made for the Shares or for the Company's public house estate. However, Maclay Group will never be obliged to make such an offer, nor will the Company ever be obliged to accept any such offer which is made by Maclay Group. If a third party makes a *bona fide* offer to acquire the Shares or the Company's public house estate, Maclay Group will be made aware of it, and will be entitled to have the market value of the Shares and/or the public house estate fixed by an independent valuer of appropriate experience. It will then be open to Maclay Group to make its own offer at or above market value, or to decline to do so. If Maclay Group makes such an offer but the Company accepts the third party's offer, Maclay Group shall be entitled to terminate the Management Agreement and Supply Agreement and on such termination the Company will be liable for an early termination penalty payment, calculated on a formula contained within the Supply Agreement. The Inter-Company Agreement also sets out the exit incentive that is payable to the Manager as a reward for the Manager's achievements in increasing the value of the units. Immediately prior to an exit the Company will pay an amount equal to 30 per cent of the difference between the aggregate amount that is capable of being returned to the Shareholders on an exit (before deducting the exit incentive) and the aggregate subscription price of the Shares pursuant to the Offers (less the costs incurred by the Company in connection with the Offers) as increased by RPI.
- 8.5 The letters of appointment entered into by the Company, described at paragraph 6 of this Part 5.

8.6 Under an irrevocable undertaking dated 12 October 2006 from Maclay Group to the Company, Maclay Group would, on the Minimum Subscription being achieved by the Company in respect of the 2006/2007 Offer, subscribe for 100,000 Shares or, if greater, such number of Shares as will constitute five per cent of the Shares (including the Shares to be issued to it) issued by the Company by the close of the anticipated 2 April 2007 allotment meeting. Where the Minimum Subscription was achieved in respect of the 2006/2007 Offer and the 2007/2008 Offer, Maclay Group would subscribe for five per cent of the total number of Shares (including the Shares to be issued to it) issued by the Company after the said 2 April 2007 allotment meeting, but where the number of Shares issued to Maclay Group by the close of the said 2 April 2007 allotment meeting is 100,000 and if those 100,000 Shares represent more than five per cent of the total number of Shares (including the Shares issued to Maclay Group) issued by the Company, Maclay Group is only obliged to subscribe for such additional number of Shares as will result in it holding, at the close of the final allotment meeting, five per cent of the total number of Shares issued by the Company under both the 2006/2007 Offer and the 2007/2008 Offer. Where the Minimum Subscription was not achieved in respect of the 2006/2007 Offer but in respect of the 2007/2008 Offer, Maclay Group would subscribe for five per cent of the total number of Shares (including the Shares issued to it) issued by the Company pursuant to the 2007/2008 Offer.

9. Employees

The Company does not have any employees. Staff working in the Premises will be employed by the Manager but wages and related costs will be recovered from the Company by the Manager.

10. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least 12 months prior to the date of this document which may have or have had significant effects on the Company or its financial position or profitability.

11. Significant Change

There has been no significant change in the financial or trading position of the Company which has occurred since 30 September 2006, being the date for which the last audited financial information for the Company has been prepared.

12. Working Capital

The Company is of the opinion that, after taking into account the Minimum Net Proceeds under the Offers, the Company has sufficient working capital for its present requirements, that is, for at least 12 months following the date of publication of this document.

13. General

13.1 The Offers are not underwritten. The expenses of and incidental to the Offers and registration fees, printing, advertising and distribution costs, legal and accounting fees and expenses payable by the Company, will amount to 7.75% of the gross proceeds of the Offers (plus Value Added Tax where applicable). If the maximum of £7.5 million is raised under the Offers, the net proceeds will amount to approximately £6.95 million. If the Minimum Subscription is raised the Minimum Net Proceeds will be no less than £463,187.50. The net proceeds will be applied in accordance with the Company's investment strategy as described in this document.

13.2 The auditors, reporting accountants and taxation advisers of the Company are Saffery Champness, chartered accountants of Edinburgh Quay, 133 Fountainbridge, Edinburgh, EH3 9BA. The accounts for the period to 30 September 2006 have been audited.

13.3 The Shares will be issued by the Directors at a meeting of the Board pursuant to their authority under section 80 of the Act.

13.4 The Shares will, when issued, be in registered form and will be held in certificated form.

13.5 Except for the Management Agreement and Supply Agreement, the Directors believe that there are no patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

- 13.6 The Shares will be subject to the rules regarding mandatory takeover offers set out in the City Code. Under Rule 9 of the City Code when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent, or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent, but not more than 50 per cent, of the voting rights, then in either case that person together with the persons acting in concert with him is normally required to make a general offer in cash, at the highest price paid by him, or any person acting in concert with him, for shares in the company within the preceding 12 months, for all the remaining equity share capital of the company.
- 13.7 The Shares will be subject to the compulsory acquisition procedures set out in sections 428 to 430F (inclusive) of the Act. Under section 429 of the Act, where an offeror makes a takeover offer (as defined in section 428 of the Act) and receives valid acceptances in respect of, or acquires, 90 per cent or more of the shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares not assented to the offer.
- 13.8 The Company's business is dependent upon its executive Director Stephen Mallon and its manager and supplier, Maclay Inns. The terms and conditions governing the Company's relationship with its manager and supplier is contained in the Management Agreement and the Supply Agreement respectively. The Company's current market competitors are represented by over 5,000 public houses in Scotland. The Directors do not expect its market competitors to change to a material extent.

14. Availability of Prospectus

Copies of this document and the memorandum and articles of association of the Company will be available free of charge during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company's registered office and from the offices of Brewin Dolphin Securities Limited at 7 Drumsheugh Gardens, Edinburgh EH3 7QH and 12 Smithfield Street, London, EC1A 9BD and shall remain available until the Close of the Issue.

13 October 2006

DEFINITIONS

“the Act”	the Companies Act 1985, as amended
“Application Form”	the form of application for Shares under the Offers set out at the end of this document
“Brewin Dolphin”	Brewin Dolphin Securities Limited
“CGT”	capital gains tax
“City Code”	the City Code on Takeovers and Mergers
“Close of the Issue”	the last date on which the Company has allotted and issued Shares under the Offers as shown on the Company’s register of members
“the Company”	Thistle Pub Company III plc, incorporated in Scotland (registered number SC 306747) and having its registered office at c/o Saffery Champness, Edinburgh Quay, 133 Fountainbridge, Edinburgh EH3 9BA
“CVS”	Corporate Venturing Scheme and related reliefs as detailed in schedule 15 Finance Act 2000
“the Directors” or “the Board”	the directors of the Company
“the Enterprise Investment Scheme” or “EIS”	the Enterprise Investment Scheme introduced by the Finance Act 1994, as amended
“the FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Inter-Company Agreement”	the inter-company agreement among the Company, Maclay Group and Maclay Inns as referred to in paragraph 8.4 of Part 5 hereof
“Maclay Group” or “Group”	Maclay Group plc, incorporated in Scotland (registered number SC133543) and having its registered office at Unit 2/4, The e-Centre, Cooperage Way Business Village, Alloa FK10 3LP
“Maclay Inns” or “the Manager”	Maclay Inns Limited, incorporated in Scotland (registered number SC3272) and having its registered office at Unit 2/4, The e-Centre, Cooperage Way Business Village, Alloa FK10 3LP
“Management Agreement”	the Management Agreement between the Company, Maclay Inns and Maclay Group as referred to on pages 4 and 13 and paragraph 8.2 of Part 5 hereof
“Minimum Net Proceeds”	an amount which will be no less than £463,187.50; equal to the Minimum Subscription less 7.75% of the gross proceeds of the Offers not including the subscription monies paid by Maclay Group
“Minimum Subscription”	£500,000 representing 500,000 Shares issued at a price of £1 per Share
“the Offers”	the offers for subscription set out in this document
“the Premises”	the public houses, licensed premises or other similar establishments as shall be acquired by the Company or such part or parts thereof as the context admits
“the Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 and made by the Financial Services Authority pursuant to the FSMA
“Receiving Agents”	Park Circus Registrars Limited
“Relevant Period”	the period commencing with the date of issue of the Shares or the commencement of trade if later and ending on the third anniversary of that date
“RPI”	the Retail Prices Index for all items as published by the Office for National Statistics or such other index which replaces the RPI
“Shares”	Ordinary Shares of 50p each in nominal value in the capital of the Company
“Supply Agreement”	the Supply Agreement between the Company and Maclay Inns as referred to on pages 4 and 14 and paragraph 8.3 of Part 5 hereof

“Thistle II”

Thistle Pub Company II plc incorporated in Scotland (registered number SC272883) and having its registered office *c/o* Saffery Champness at Edinburgh Quay, 133 Fountainbridge, Edinburgh EH3 9BA

“VCT”

Venture Capital Trust

APPENDIX

TERMS AND CONDITIONS

- (a) The contract created by the acceptance of applications under the Offers will be conditional upon:
- (i) the allotment of Shares comprising no less than the Minimum Subscription becoming effective by not later than 2 April 2007 in respect of the 2006/2007 Offer and if not so achieved, by 31 May 2007 in respect of the 2007/2008 Offer; and
 - (ii) the Offer for Subscription Agreement referred to in paragraph 8.1 of Part 5 becoming unconditional and not being terminated in accordance with its terms.
- (b) The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned, without interest within 14 days, by crossed cheque in favour of the applicant, through the post at the risk of the person entitled thereto.
- (c) By completing and delivering an Application Form you:
- (i) offer to subscribe for the number of Shares specified in your Application Form in respect of the 2006/2007 Offer and/or 2007/2008 Offer (or such lesser number for which your application is accepted) at the price of £1 per Share on the terms of and subject to this document, including these terms and conditions, and the Memorandum and Articles of Association of the Company;
 - (ii) agree that, in consideration of the Company agreeing that it will not issue or allot any Shares which are subject to the Offers to any person other than by means of the procedures referred to in this document, your application shall not be revoked until after 2 April 2007 in respect of the 2006/2007 Offer or 31 May 2007 in respect of the 2007/2008 Offer and this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, (in the case of delivery by hand) on receipt by, the Receiving Agents of your Application Form;
 - (iii) warrant that your remittance will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a share certificate in respect of the Shares applied for unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Company in its absolute discretion (which acceptance may be on the basis that you indemnify it against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company, it may (without prejudice to other rights) avoid the agreement to allot such Shares and may allot such Shares to some other person, in which case you will not be entitled to any payment in respect of such Shares;
 - (iv) agree that, in respect of those Shares for which your application has been received and is not rejected, acceptance of your application shall be constituted by notification of acceptance thereof to the Receiving Agents;
 - (v) agree that any monies returnable to you may be retained by the Receiving Agents pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations 2003 (the 'Regulations') and that such monies will not bear interest;
 - (vi) subject as provided above, authorise the Receiving Agents to send a share certificate in respect of the number of Shares for which your application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
 - (vii) warrant that if you sign the Application Form on behalf of somebody else you have due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor with the Application Form;

- (viii) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with Scots law, and that you submit to the non-exclusive jurisdiction of the Scottish Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (ix) confirm that in making such application you are not relying on any information or representation in relation to the Company other than the information contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information or representation;
 - (x) authorise the Receiving Agents and/or the Company, or any persons authorised by either of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by you into your name or into the name of any person in whose favour the entitlement to any such Shares has been transferred and authorise any representative of the Receiving Agents or of the Company to execute any document required therefor;
 - (xi) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;
 - (xii) confirm and warrant that you have read and complied with paragraph (d) below;
 - (xiii) confirm that you have received notification of the restrictions contained in paragraph (e) below and warrant as provided therein;
 - (xiv) warrant that you are not under the age of 18; and
 - (xv) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agents, will be sent at the risk of the person(s) entitled thereto.
- (d) No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (e) The Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) and, subject to certain exceptions, the Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States or to any person in the United States. Persons subscribing for Shares shall be deemed, and (unless the Company is satisfied that Shares can be allotted without breach of United States security laws) shall be required, to represent and warrant to the Company that they are not a person in the United States and that they are not subscribing for such Shares for the account of any such person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Shares in the United States or to any such person. As used herein, "United States" means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager is not registered under the United States Investment Advisers Act of 1940, as amended.
- (f) Applicants are encouraged to submit their Application Forms early in order to be confident that their applications will be successful. In the event that applications are received for an amount in excess of the maximum subscription under the Offers, the Directors reserve the right to exercise their sole discretion in the allocation of successful applications although the allocation will usually be on a first come first served basis. The right is also reserved to reject in whole or in part any application or any part thereof and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.

- (g) Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.

GUIDE TO THE APPLICATION FORM

The following instructions should be read in conjunction with the Application Form.

1. **Insert your full name, address and date of birth and national insurance number in Block Capitals in Box 1.**

Applications may only be made by persons aged 18 or over.

2. **Insert in Box 2 the number of shares (in figures) for which you are applying under the Offers and in Box 3 (in figures) the amount(s) of your payment(s).** Your cheque(s) or bankers' draft(s) should be for the amount which represents £1 multiplied by the number of Shares for which you apply. Your application in respect of the Offers must be for a minimum of 2,000 Shares under each Offer.
3. **You must affix to Box 5 on the completed Application Form a cheque(s) or bankers' draft(s) for the full amount payable.** Your cheque or bankers' draft must be payable to "Thistle Pub Company III plc 2006/2007 Subscription" in respect of an investment in tax year 2006/2007 and/or "Thistle Pub Company III plc 2007/2008 Subscription" in respect of an investment in tax year 2007/2008 for the amount(s) payable on application inserted in Box 3 and should be crossed "A/C Payee". No receipt will be issued for this payment which must be solely for this application. Your cheque(s) or bankers' draft(s) must be drawn in sterling on an account at a bank branch, and must bear the appropriate sort code number in the top right hand corner. The right is reserved to reject any application in respect of which the applicant's cheques or bankers' drafts have not been cleared on first presentation. Applications may be accompanied by a cheque(s) or bankers' draft(s) drawn by someone other than the applicant(s), but any monies to be returned will be sent by crossed cheque in favour of the person(s) named in Box 1 at his/her permanent address.

Money Laundering Regulations

It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 2003, the Receiving Agents may at their absolute discretion require verification of identity from any person lodging an Application Form (the "Applicant") and without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of cheque or bankers' draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to be acting on behalf of some other person. In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

If within a reasonable period of time following a request for verification of identity and in any case by no later than 3.00 p.m. on the relevant date of allotment the Receiving Agents have not received evidence satisfactory to them as aforesaid, the Company with the agreement of the Receiving Agents may, at their absolute discretion, reject any such application in which event the remittance submitted in respect of that application will be returned to the Applicant (without prejudice to the rights of the Company to undertake proceedings to recover any loss suffered by it as a result of the failure to produce satisfactory evidence of identity).

Where possible Applicants should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and
- (b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Receiving Agents' right to require verification of identity as indicated above).

4. Investments made by individuals aged 18 or over, up to £400,000 per tax year (6 April to 5 April) in Enterprise Investment Scheme qualifying companies qualify for a lower rate of tax, currently 20% of the amount invested in the Shares.

If the aggregate of amounts you have already invested in Enterprise Investment Schemes in the current tax year and the amount which you are applying to invest under the Offer(s) exceeds £400,000, you must state the amount of the excess.

If there is no such excess over the permitted maximum please state “nil” in Box 4.

5. **Sign and date the Application Form in Box 6.** The Application Form may be signed by someone else on your behalf, if duly authorised by power of attorney to do so, but any power of attorney pursuant to which it is done (or a duly certified copy thereof) must be enclosed for inspection.
6. Agents who are entitled to receive commission should stamp and complete Box 7 on the reverse of the Application Form, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment of any commission if the Receiving Agents are not, in their sole discretion, satisfied that the agent is so authorised.

Commission will be paid at the rate of 2.5 per cent of the amount paid on the Shares issued in respect of such valid Application Form; or authorised financial intermediaries may agree to waive part or all of their initial commission in respect of an application under either or both of the 2006/2007 Offer or the 2007/2008 Offer by completing Box 8. If this is the case, then such application will be treated as an application to apply for the amount of Shares stated in Box 2 of the Application Form together with a number of additional Shares equivalent to the amount of initial commission waived at £1 per Share, which waived commission will be applied in paying for such Shares. No commission will be paid in respect of such additional Shares. Financial intermediaries should keep a record of an Application Form submitted bearing their stamp to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on submission of an Application Form.

7. **Share Certificates**

Following allotment of the Shares, a share certificate will be sent to you incorporating the details included in Box 1.

8. **If you have any queries on the procedure for application and payment, you should contact the Receiving Agents (telephone: 0141 353 2620) or your normal financial adviser.**

9. **Delivery of Application Form**

Send the completed Application Form together with the cheque(s) or bankers' draft(s) by post, or deliver it by hand, to Park Circus Registrars Limited, 144 West George Street Glasgow, G2 2HG so as to be received no later than 3.00 p.m. on 2 April 2007 in respect of the 2006/2007 Offer and 31 May 2007 in respect of the 2007/2008 Offer (unless the Offers are otherwise closed earlier or extended).

If you post your Application Form you are recommended to use first class post and to allow at least two working days for delivery. Photocopy or faxed copies of the Application Forms will not be accepted.

THISTLE PUB COMPANY III PLC

APPLICATION FORM

Please Use Block Capitals

1.

Title	
Forename(s) (in full)	
Surname	
Address in full	
Postcode	Daytime tel. no.
Permanent address (if different from address given above)	
Postcode	
Date of Birth	National Insurance No.

2. I apply for

	Shares (2006/2007 Offer)
	Shares (2007/2008 Offer)

(or any smaller number of Shares for which this application is accepted) at the offer price of 100 pence per Share, payable in full on application, on the terms and conditions set out in this Application Form and the Prospectus dated 13 October 2006 and subject to the Memorandum and Articles of Association of Thistle Pub Company III plc.

I attach a cheque or bankers' draft for the amount payable to "Thistle Pub Company III plc 2006/2007 Subscription" in respect of my investment in tax year 2006/2007 and/or "Thistle Pub Company III plc 2007/2008 Subscription" in respect of my investment in tax year 2007/2008 (please attach a separate cheque or bankers' draft for each tax year).

3.

£	(2006/2007 Offer)
£	(2007/2008 Offer)

4.

If the amounts for which you are applying under the Offers, together with the amounts you have invested in other EIS, exceed £400,000 in respect of the 2006/2007 tax year or the 2007/2008 tax year, please state the excess.	2006/2007 tax year
	£
	2007/2008 tax year
	£

Please send me (a) certificate(s) confirming my entitlement to EIS.

5. Affix here your separate cheque(s) or bankers' draft(s) for the amounts referred to in box 3 made payable to "Thistle Pub Company III plc 2006/2007 Subscription" in respect of an investment in tax year 2006/2007 and/or "Thistle Pub Company III plc 2007/2008 Subscription" in respect of an investment in tax year 2007/2008 and crossed "A/C Payee"
(Please pin, staple or clip; do not glue or tape cheque to form)

By signing this form I HEREBY DECLARE THAT:

6. (i) I have received the Prospectus dated 13 October 2006 and have read the terms and conditions of application contained therein and agree to be bound by them; and
(ii) to the best of my knowledge and belief, the particulars I have given to Thistle Pub Company III plc are correct.

HM Revenue & Customs may inspect this declaration. It is a serious offence to make a false declaration.

Signature	Date
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DELIVERY OF THE APPLICATION FORM

Send the completed Application Form, together with the cheque or bankers' draft(s) by post or deliver it by hand to Park Circus Registrars Limited, 144 West George Street, Glasgow, G2 2HG to be received by 3.00 p.m. on 2 April 2007 in respect of the 2006/2007 Offer and by 3.00 p.m. on 31 May 2007 in respect of the 2007/2008 Offer.

Box 7

Due completion of the agent's box indicates that the agent is duly authorised to transact investments of this type under the Financial Services and Markets Act 2000 and confirms that the requirements of the Money Laundering Regulations 2003 have been complied with.

Commission at 2.5 per cent of the funds invested will be paid to authorised financial intermediaries.

Stamp of authorised financial intermediary (if applicable)
FSA authorisation No.

Box 8

Insert all or any amount of commission to be waived and invested in additional Shares under the Offers.

£	2006/2007 Offer
£	2007/2008 Offer