

**THREE THISTLES PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**29 SEPTEMBER 2018**

# THREE THISTLES PLC

## COMPANY INFORMATION

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<b>Directors</b>	P F Theakston D C McIntyre D J S C Low
<b>Secretary</b>	Kergan Stewart LLP
<b>Company number</b>	SC306747
<b>Registered office</b>	163 Bath Street Glasgow G2 4SQ
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG
<b>Bankers</b>	The Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2AD
<b>Solicitors</b>	Kergan Stewart LLP 163 Bath Street Glasgow G2 4SQ
<b>Corporate finance advisers</b>	Spark Advisory Partners Limited No 1 Aire Street Leeds LS1 4PR

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# THREE THISTLES PLC

## CHAIRMAN'S REPORT

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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The financial year has been characterised as a period of transition, marked principally by a change of estate manager.

#### Estate Manager

During the previous financial year the Board formed the view that our estate manager, LT Management Services Ltd ("LT") was not delivering a sufficiently proactive approach to developing sales volume, improving margins and controlling costs. Consequently, the Board determined to seek an alternative manager capable of remedying these deficiencies and appointed Caledonian Heritable Ltd ("CHL"), who assumed the role of estate manager in January 2018. The change required LT to serve out a notice period of four months which incorporated the important Christmas and New Year period. Regretfully, it became evident that LT had further lost management focus and performance suffered accordingly.

CHL has replaced LT on more favourable contractual terms to the company than had been the case with LT. As with any new arrangement there followed a period of fact finding and familiarisation. CHL identified a number of issues that required urgent attention including fundamental issues such as Fire Risk and sundry health and safety compliance matters and stock control. A number of staff related issues also required to be addressed with the intention of making the unit managers more responsible for the individual performance of their outlets. I am pleased to report we have had a generally favourable response in this regard and, indeed, The Laird & Dog should be congratulated for being voted Pub of the Year at the 2018 Scottish Hospitality Awards.

#### Results

Year on Year turnover, excluding the Wheel Inn in Scone, was £5.1m compared with £5.2m, a decline of 1%. Total turnover amounted to £5.4m as compared with £5.8m. Gross profit margins decreased to 14% from 17.1% resulting in a reduction in Gross Profit contribution of £234,000 against £753,000. Direct consumables as a percentage of turnover remained relatively flat year on year while other operating costs, including wages and salaries, increased as a percentage of turnover to 52.1% from 49.4%. The retained loss in the year amounted to £54,000 against a profit of £115,000 before exceptional items.

In summary, profitability was adversely affected by the difficulty of maintaining or improving sales volumes in a depressed and uncertain marketplace, reduced gross margins and generally rising costs, the increase in the minimum wage and significant maintenance costs being the principal items.

#### Trading prospects for the 2018/19 year

CHL has been addressing all of the issues referred to over the second half of the year and into the current financial year and actions taken which should result in a return to profitability in the current year. Changes have been made. The food offerings of two of our units have been outsourced and the microbrewery at our Clockwork outlet which has lost money for some time has been closed pending a review of operations. Our primary focus is now on improving sales and gross profit margins throughout the estate, improving through more efficient and focussed purchasing and a drive to reduce costs.

#### The Wheel Inn

The Wheel Inn has traded poorly for some years. Further investment was made in 2015 in an effort to broaden the appeal to a wider community. This has proved to be unsuccessful. Yet further substantial investment would be required solely to maintain the fabric of the facility and satisfy basic health and safety obligations. Having taken advice from our advisors the Board determined further investment would not be an efficient use of shareholder funds. Consequently, the Board decided to sell the site for alternative use. In March 2018 the Board accepted an offer from Cruden Homes subject to planning, site investigations and deductions for abnormal costs. Since then Cruden Homes has been progressing the transaction. If the plans are approved by Perth and Kinross Council it is anticipated that the site will be sold around book value in the current financial year. Throughout this process the outlet has been leased to an independent third party. This arrangement continued until January 2019 and has now ceased. The outlet is now closed pending the anticipated completion of the sale.

# THREE THISTLES PLC

## CHAIRMAN'S REPORT (CONTINUED)

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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#### Corporate strategy

The Board continues to consider the future strategy for Three Thistles plc on an ongoing basis. In 2013 the then Board commenced a formal sales process, which did not generate sufficient interest at an appropriate valuation. In addition, in 2016 the Board received minimal shareholder appetite for a voluntary liquidation with the majority of shareholders opting to retain their investment and their inheritance tax benefit. The Board continues to believe there is no shareholder appetite for a liquidation of the company's assets at this moment in time.

In the meantime, the Asset Match share dealing service is available to shareholders on a monthly basis should they wish to buy or sell the company's shares.

Spark Advisory Partners Limited has been engaged to provide independent advice on the company's future strategy.

Having been associated with the Company for some six years, the last two as Chairman, I have decided that anno domini is catching me up, coupled with my concern that living nearly two hundred miles south of Scotland does not allow me to take the direct interest in the estate that it deserves, nor to support my Board colleagues as I would wish. I have, therefore, decided to step down from the Board and will be replaced as chairman by David Low. I know that all the measures outlined above will certainly have very positive results for future profitability, and I wish both the Board and CHL all the very best in making it all happen for the benefit of shareholders.

Paul Theakston  
**Chairman**

# THREE THISTLES PLC

## STRATEGIC REPORT

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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The directors present the strategic report for the year ended 29 September 2018.

#### **Fair review of the business**

The Directors believe that the group's key performance indicators are growth in turnover, gross margin and net asset value of the estates.

Excluding The Wheel Inn, like for like turnover at £5,109,121 was down £66,545 or 1% on the prior year. Total turnover for the 52 week period amounted to £5,376,573 (2017: £5,787,837). Gross profit at £752,600 (2017: £986,970), is a decrease of £234,370 in comparison to the prior year. The resulting loss before tax and after exceptional items was £50,681 (2017: £1,584,782). The loss in the prior year contained an impairment loss following the property revaluation exercise.

Net assets decreased in the year to £7,137,034 (2017: £7,191,224) as at 29 September 2018, the company had net debt of £1,363,166 (2017: £1,184,044).

#### **Principal risks and uncertainties**

The following risks and associated mitigation processes represent the key risks and uncertainties which affect the company and how the directors address these. They are not intended to be an exhaustive analysis of all the risks facing the business.

##### **1. Economic risks**

###### **Risks:**

The company's business operations are sensitive to economic conditions and in particular to levels of consumer spending. Confidence in the economy could affect consumer expenditure and therefore our revenue. There is an ongoing risk to our business of increases in the cost of key products, including food, drink, Sky broadcasting service and utilities. Property values are also impacted by the economic uncertainty.

###### **Mitigation processes:**

The Board and the Manager regularly review the impact of the economic conditions on the company's budget and strategic plans, to ensure that we maintain our competitive position in the market. By prioritising excellent quality, service, value for money and up-to-date product offers, we aim to broaden our appeal to customers. We try to foster mutually beneficial and long-term relationships with our suppliers whilst at the same time driving down costs in all areas. We have successfully negotiated various contracts to avoid significant increases in costs and employ a number of other techniques to protect us from price volatility.

We continue to regularly assess the long term value of each of our sites and make decisions on a site by site basis around further improvements, operational focus for poorer performing sites and appropriate impairments where necessary. We have tried to diversify the business in respect of customer groups and geographical location in order to minimise the impacts of economic fluctuations.

##### **2. Regulatory risks**

###### **Risks:**

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

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

# THREE THISTLES PLC

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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#### **Mitigation processes:**

Our strategy continues to address the need to diversify our business, with increasing emphasis on food within our pubs.

We are committed to acting as a responsible retailer and are actively engaging with government to ensure that it recognises our belief that the safest and most responsible place to consume alcohol is in well-managed licensed on-trade premises.

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

### **3. Supply chain risks**

#### **Risks:**

On the Board's behalf, our Manager works with a number of key suppliers (particularly in relation to food, beer, wines and spirits) and third party distributors to supply our pubs. There is therefore a risk of interruption of supply and of failure of such key suppliers or distributors.

#### **Mitigation processes:**

Our Manager is expected to work closely with our third-party suppliers, producers and supply chain partners to ensure that our relationships with them are positive and constructive at all times. Our Manager regularly reviews the financial position of our major suppliers to assess the risk of them ceasing to be able to trade. It is our opinion that due to the non-specialist nature of our products our Manager would be able to source alternative supply arrangements should one of our suppliers cease to trade.

### **4. Financial risks**

#### **Risks:**

It is vital to the business that we continue to meet our financial covenants and to ensure that there is sufficient short term financing to meet our business needs. We are exposed to interest rate risk on the variable rate components of our financing. We are also reliant on maintaining sound systems of internal control and on our information systems and technology to ensure the smooth operation of our business without risk of fraud or material error.

#### **Mitigation processes:**

Our Manager is expected to constantly monitor our performance against our financial covenants and undertakes detailed stress-testing of our performance against those covenants on a regular basis. Working capital is closely managed and carefully forecast, with regular dialogue with our bankers, The Royal Bank of Scotland plc

### **5. People risks**

#### **Risks:**

We recognise the importance of attracting, retaining, developing and motivating the best people to help take our business forward and to ensure that we can deliver our operational and strategic objectives. Failure to attract these individuals could impact our ability to achieve our operational and strategic objectives.

# THREE THISTLES PLC

## STRATEGIC REPORT (CONTINUED)

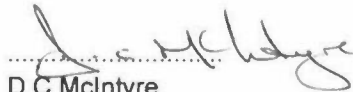
FOR THE YEAR ENDED 29 SEPTEMBER 2018

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### **Mitigation processes:**

In January 2018 following the change in Manager, all staff were transferred across to the Company. Our Manager is tasked with aiming to recruit the best people with the right skills and offer training and development programmes to ensure that we retain them. Staff contracts and turnover trends are reviewed and benchmarked to highlight any potential issues.

On behalf of the board



D C McIntyre  
**Director**

Date: 22/1/19

# THREE THISTLES PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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The directors present their annual report and financial statements for the year ended 29 September 2018.

#### Principal activities

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

#### Directors

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

P F Theakston  
D C McIntyre  
D J S C Low

#### Results and dividends

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

No ordinary dividends were paid during the year. The directors do not recommend a dividend in the coming year.

#### Director's shareholdings

The director's have the following shareholdings in the company:

Paul Theakston	Nil
David Low	302,325
Donald McIntyre	8,333

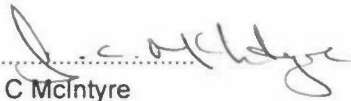
#### Auditor

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

#### Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board

  
D C McIntyre  
Director

Date: 22/1/19



# **THREE THISTLES PLC**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 29 SEPTEMBER 2018**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THREE THISTLES PLC

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## Opinion

We have audited the financial statements of Three Thistles plc (the 'company') for the year ended 29 September 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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### Matters on which we are required to report by exception

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

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

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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



Alan Aitchison (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Third Floor

Centenary House

69 Wellington Street

Glasgow

G2 6HG

23/11/15

# THREE THISTLES PLC


## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	5,376,573	5,787,837
Cost of sales		(4,623,973)	(4,800,867)
<b>Gross profit</b>		752,600	986,970
Establishment expenses		(467,268)	(512,026)
Administrative expenses		(286,204)	(263,337)
<b>Operating (loss)/profit</b>	4	(872)	211,607
Interest receivable and similar income		308	327
Interest payable and similar expenses	8	(50,117)	(53,360)
Exceptional items	9	-	(1,743,356)
<b>Loss on ordinary activities before taxation</b>		(50,681)	(1,584,782)
Taxation	10	(3,509)	(43,773)
<b>Loss for the financial year</b>	24	(54,190)	(1,628,555)

**THREE THISTLES PLC****STATEMENT OF FINANCIAL POSITION  
AS AT 29 SEPTEMBER 2018**

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	13	8,895,377		8,949,740	
<b>Current assets</b>					
Stocks	14	98,469		95,538	
Debtors	15	34,249		145,200	
Cash at bank and in hand		516,265		824,276	
		648,983		1,065,014	
<b>Creditors: amounts falling due within one year</b>	16	(651,108)		(941,713)	
<b>Net current (liabilities)/assets</b>			(2,125)		123,301
<b>Total assets less current liabilities</b>		8,893,252		9,073,041	
<b>Creditors: amounts falling due after more than one year</b>	17	(1,699,431)		(1,828,320)	
<b>Provisions for liabilities</b>	20	(56,787)		(53,497)	
<b>Net assets</b>		7,137,034		7,191,224	
<b>Capital and reserves</b>					
Called up share capital	22	3,750,000		3,750,000	
Share premium account	23	3,191,825		3,191,825	
Profit and loss reserves	24	195,209		249,399	
<b>Total equity</b>		7,137,034		7,191,224	

The financial statements were approved by the board of directors and authorised for issue on 22/11/18 and are signed on its behalf by:

  
D C McIntyre  
Director

# THREE THISTLES PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 2 October 2016</b>		3,750,000	3,191,825	1,990,454	8,932,279
<b>Year ended 30 September 2017:</b>					
Loss and total comprehensive income for the year		-	-	(1,628,555)	(1,628,555)
Dividends	11	-	-	(112,500)	(112,500)
<b>Balance at 30 September 2017</b>		3,750,000	3,191,825	249,399	7,191,224
<b>Year ended 29 September 2018:</b>					
Loss and total comprehensive income for the year		-	-	(54,190)	(54,190)
<b>Balance at 29 September 2018</b>		3,750,000	3,191,825	195,209	7,137,034

# THREE THISTLES PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26		27,362		342,273
Interest paid			(50,117)		(53,360)
Income taxes paid			(50,723)		(100,662)
<b>Net cash (outflow)/inflow from operating activities</b>			(73,478)		188,251
<b>Investing activities</b>					
Purchase of tangible fixed assets		(105,952)		(57,016)	
Proceeds on disposal of subsidiaries		-		1	
Interest received		308		327	
<b>Net cash used in investing activities</b>			(105,644)		(56,688)
<b>Financing activities</b>					
Repayment of bank loans		(128,889)		(53,310)	
Dividends paid		-		(112,500)	
<b>Net cash used in financing activities</b>			(128,889)		(165,810)
<b>Net decrease in cash and cash equivalents</b>			(308,011)		(34,247)
Cash and cash equivalents at beginning of year			824,276		858,523
<b>Cash and cash equivalents at end of year</b>			516,265		824,276

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 SEPTEMBER 2018

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### 1 Accounting policies

#### Company information

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

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

#### Accounting convention

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

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

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

#### Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Turnover

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

#### Tangible fixed assets

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

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

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

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

#### Impairment of fixed assets

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



# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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#### 1 Accounting policies (Continued)

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

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

#### **Stocks**

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

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

#### **Financial instruments**

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

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

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

#### **Trade and other debtors**

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

#### **Impairment of financial assets**

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

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

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

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

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#### 1 Accounting policies (Continued)

##### **Derecognition of financial assets**

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

##### **Cash and cash equivalents**

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

##### **Classification of financial liabilities**

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

##### **Trade and other creditors**

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

##### **Derecognition of financial liabilities**

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

##### **Equity instruments**

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

##### **Taxation**

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

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

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

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

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

#### 1 Accounting policies (Continued)

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

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

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

#### Employee benefits

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

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

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

#### 2 Judgements and key sources of estimation uncertainty

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

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

#### 3 Turnover and other revenue

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

	2018 £	2017 £
<b>Turnover analysed by class of business</b>		
Liquor sales	3,168,658	3,357,855
Food sales	2,010,583	2,247,532
Other income	153,141	130,481
Gaming income	44,191	51,969
	<u>5,376,573</u>	<u>5,787,837</u>

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2018

### 3 Turnover and other revenue (Continued)

	2018 £	2017 £
<b>Other revenue</b>		
Interest income	308	327

	2018 £	2017 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	5,376,573	5,787,837

### 4 Operating (loss)/profit

	2018 £	2017 £
Operating (loss)/profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	160,315	174,267
Impairment of owned tangible fixed assets	-	1,749,865
Cost of stocks recognised as an expense	1,821,727	1,943,665

### 5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	108,163	96,133

### 6 Employees

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

	2018 Number	2017 Number
Directors	3	3
Employees	151	-
	154	3

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2018

### 6 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,249,063	-
Social security costs	67,222	-
Pension costs	10,924	-
	<u>1,327,209</u>	<u>-</u>

During the year employees were transferred from LT management Services Limited to Three Thistles plc.

### 7 Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the Company	10,250	9,850
<b>For other services</b>		
All other non-audit services	6,200	4,900

### 8 Interest payable and similar expenses

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	50,117	53,360

### 9 Exceptional items

	Note	2018 £	2017 £
Overall net income of bad debt		-	6,509
Impairment losses	12	-	(1,749,865)
		<u>-</u>	<u>(1,743,356)</u>

### 10 Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	49,761
Adjustments in respect of prior periods	219	1,198
Total current tax	<u>219</u>	<u>50,959</u>

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2018

### 10 Taxation (Continued)

#### Deferred tax

Origination and reversal of timing differences	3,290	(6,491)
Adjustment in respect of prior periods	-	(695)
	<u>3,290</u>	<u>(7,186)</u>
Total deferred tax	3,290	(7,186)
	<u>3,509</u>	<u>43,773</u>
Total tax charge	3,509	43,773

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

	2018 £	2017 £
Loss before taxation	(50,681)	(1,584,782)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	(9,629)	(309,032)
Tax effect of expenses that are not deductible in determining taxable profit	4,876	2,105
Change in unrecognised deferred tax assets	(387)	953
Adjustments in respect of prior years	219	1,198
Permanent capital allowances in excess of depreciation	8,430	349,421
Deferred tax adjustments in respect of prior years	-	(695)
Unexplained difference	-	(177)
	<u>3,509</u>	<u>43,773</u>
Taxation charge for the year	3,509	43,773

### 11 Dividends

	2018 £	2017 £
Interim paid	-	112,500

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 29 SEPTEMBER 2018

#### 12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in the Statement of Comprehensive Income:

	2018 £	2017 £
In respect of:		
Property, plant and equipment	-	1,749,865
Impairment losses	-	1,749,865

The impairment testing was conducted by the Director's comparing value in use and net realisable value on an open market basis.

#### 13 Tangible fixed assets

	Heritable property £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 October 2017	10,578,264	2,007,849	12,586,113
Additions	-	105,952	105,952
At 29 September 2018	10,578,264	2,113,801	12,692,065
<b>Depreciation and impairment</b>			
At 1 October 2017	2,057,452	1,578,921	3,636,373
Depreciation charged in the year	41,936	118,379	160,315
At 29 September 2018	2,099,388	1,697,300	3,796,688
<b>Carrying amount</b>			
At 29 September 2018	8,478,876	416,501	8,895,377
At 30 September 2017	8,520,812	428,928	8,949,740

#### 14 Stocks

	2018 £	2017 £
Finished goods and goods for resale	98,469	95,538

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2018

### 15 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	5,799	753
Other debtors	28,450	144,447
	<u>34,249</u>	<u>145,200</u>

### 16 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	18	180,000	180,000
Trade creditors		228,133	303,520
Corporation tax		-	50,504
Other taxation and social security		121,425	164,431
Other creditors		12,841	352
Accruals and deferred income		108,709	242,906
		<u>651,108</u>	<u>941,713</u>

### 17 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	18	1,699,431	1,828,320

### 18 Borrowings

	2018 £	2017 £
Bank loans	1,879,431	2,008,320
Payable within one year	180,000	180,000
Payable after one year	1,699,431	1,828,320

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



# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2018

### 19 Financial instruments

	2018 £	2017 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	34,249	145,200
	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	2,229,114	2,555,098
	<u>          </u>	<u>          </u>

### 20 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	21	56,787	53,497
		<u>          </u>	<u>          </u>

### 21 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £
<b>Balances:</b>		
Difference between accumulated depreciation and capital allowances.	56,787	53,497
	<u>          </u>	<u>          </u>
<b>Movements in the year:</b>		2018 £
Liability at 1 October 2017		53,497
Charge to profit or loss		3,290
		<u>          </u>
Liability at 29 September 2018		56,787
		<u>          </u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2018

### 22 Share capital

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
7,500,000 Ordinary of 50p each	3,750,000	3,750,000
	<u>3,750,000</u>	<u>3,750,000</u>

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

### 23 Share premium account

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

### 24 Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

### 25 Related party transactions

The total remuneration of directors who are considered to be the key management personnel of the Company was £108,163 (2017: £96,133).

### 26 Cash generated from operations

	2018 £	2017 £
Loss for the year after tax	(54,190)	(1,628,555)
<b>Adjustments for:</b>		
Taxation charged	3,509	43,773
Finance costs	50,117	53,360
Investment income	(308)	(327)
Depreciation and impairment of tangible fixed assets	160,315	1,924,132
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(2,931)	4,798
Decrease in debtors	110,951	52,763
(Decrease) in creditors	(240,101)	(107,671)
<b>Cash generated from operations</b>	<u>27,362</u>	<u>342,273</u>