

Company Registration No. SC306747 (Scotland)

**THREE THISTLES PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**28 SEPTEMBER 2019**

# THREE THISTLES PLC

## COMPANY INFORMATION

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<b>Directors</b>	D J S C Low D C McIntyre K H McGown
<b>Secretary</b>	Davidson Chalmers Stewart (Secretarial Services) Limited
<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>	Davidson Chalmers Stewart LLP 163 Bath Street Glasgow G2 4SQ

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# THREE THISTLES PLC

## CHAIRMAN'S REPORT

### FOR THE YEAR ENDED 28 SEPTEMBER 2019

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The Chairman's Report that accompanied the release of last year's Financial Statements anticipated a return to profitability in the year to 28 September 2019. I am pleased to confirm this has been achieved with underlying operational profits of £102,780 for the year compared with a loss of £872 in the previous year.

This was achieved prior to exceptional items and interest charges. The outcome after these charges produced a loss before taxation of £2,012,556 compared with a loss of £50,681 in the previous year. This was almost entirely due to the write down in the value of our heritable assets as was required by the new accounting standard FRS 102 which requires the carrying value of heritable assets to reflect current market conditions. In order to ensure compliance with the standard the directors commissioned an independent valuation from industry experts. The reduced valuations are a consequence of depressed market conditions and transaction activity and, consequentially, a reduction in valuation multiples and the absence of 'lotting premia' that group outlets can attract during more favourable market conditions. The directors believe this conservative approach to be a realistic reflection of the company's underlying value in the current trading environment. After accounting for the new valuation the net asset value of the company stood at £5,111,160 which equates to a value of 68 pence per share (2018: 95 pence per share).

The other notable event in the financial year was the disposal of The Wheel Inn which was trailed in last year's Chairman's Report. The outlet was sold in July 2019 for £804,452 net of expenses resulting in a small loss of £30,476. This was a welcome outcome on what was a loss-making unit that required a substantial amount of capital expenditure that the board did not consider justifiable.

Whilst it is pleasing to be able to report a return to operational profitability it has to be said the underlying operational backdrop remained challenging throughout the period and the economic and political environment has not been helpful either. It has also taken Caledonian Heritable longer than initially anticipated to improve the financial numbers which only began to flow through in the second half of the financial year. That said, we do expect the underlying improvement to continue in the current financial period.

Turnover during the year declined to £4,700,852 compared with £5,376,573 in the previous year. After accounting for the disposal of The Wheel Inn and the new management structure at The Doghouse the comparable figures were £4,481,622 compared with £4,687,892 in the prior year. Profit margins increased to 17.5% resulting in an increase in gross profits to £820,834. Establishment and administrative expenses, including rates and managers fees, decreased to £718,054, a reduction of 4.7%.

Since the year end we have re-branded The Canal Station as Telford's Refreshment Rooms in honour of Thomas Telford, the designer responsible for the development of the original Glasgow, Paisley and Johnstone canal. We have also introduced a new management structure which we anticipate will produce positive return for shareholders. The total cost of the re-branding will be in the region of £30,000.

We have carried out a thorough review of operations and the offering at The Clockwork as competition has increased and profitability has eroded. The unit is clearly tired and a thorough overhaul of the outlet will be required, which will include a refurbishment of the entire footprint and development of a self-contained function suite on the first floor area.

Your Board of Directors have addressed all of the fundamental issues that were adversely affecting the performance of the company and we believe these actions are already bearing fruit. There are also signs that activity and confidence in the public house sector is improving and we look forward to further operational improvement in the current year.

We have a healthy cash balance of £1,384,943 and we continue to review all avenues available to us to improve shareholder value, after a particularly difficult period for the company. Your board in conjunction with our advisors continue to review opportunities to grow the Group.

Since becoming Chairman in January 2019 the company has co-opted Ken McGown as a Director. Ken has considerable retail knowledge of the food and drinks industry gained over a long career with Scottish and Newcastle and more recently with Star Pubs and Bars owned by Heineken. I now feel we have a complete Board of Directors for the first time since my involvement with the company and I look forward to the future with confidence.

# THREE THISTLES PLC

## CHAIRMAN'S REPORT (CONTINUED)

### FOR THE YEAR ENDED 28 SEPTEMBER 2019

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The Asset Match share dealing service is available to shareholders should they wish to buy or sell company shares. Further details can be found on the company's website at <http://www.ThreeThistles.co.uk>.

Finally, it was particularly pleasing to see that Adam Bolton and his staff at The Laird & Dog were named 'Team of the Year' at the Scottish Bar and Brew awards in September 2019, following their success in 2018 in winning Pub of the Year at the Scottish Hospitality Awards.

David Low  
**Chairman**

20 January 2020

# THREE THISTLES PLC

## STRATEGIC REPORT

### FOR THE YEAR ENDED 28 SEPTEMBER 2019

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The directors present the strategic report for the year ended 28 September 2019.

The chairman's statement discloses the fair review of the business and future developments.

#### Key performance indicators

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

Total turnover for the 52 week period amounted to £4,700,852 (2018: £5,376,573). On a like for like basis, excluding the now sold Wheel Inn and the newly leased Dog House, turnover amounted to £4,481,622 (2018: £4,687,892). The resulting gross profit increased by £68,234, from 14.0% to 17.5% of turnover.

To comply with Financial Reporting Standard (FRS 102) in accurately reflecting the market value of the trading units, the directors have incorporated an impairment of £2,036,190 in the Statement of Comprehensive Income. The resulting loss before tax and after exceptional items amounted to £2,012,556 (2018: £50,681).

Net assets decreased in the year to £5,111,160 (2018: £7,137,034), equating to 68 pence per share (2018: 95 pence per share). As at 28 September 2019, the company had net debt of £365,913 (2018: £1,363,166).

#### 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 offerings, 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 28 SEPTEMBER 2019

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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, recognising 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 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 28 SEPTEMBER 2019

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### **Mitigation processes:**

Our manager is tasked with aiming to recruit the best people with the right skills and offer training and development programmes to ensure that we retain them. Staff contracts and turnover trends are reviewed and benchmarked to highlight any potential issues.

On behalf of the board

D C McIntyre  
**Director**

20 January 2020

# THREE THISTLES PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 2019

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The directors present their annual report and financial statements for the year ended 28 September 2019.

### 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:

D J S C Low	
D C McIntyre	
K H McGown	(Appointed 1 May 2019)
P F Theakston	(Resigned 31 January 2019)

### 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 at the year end:

D J S C Low	302,325
D C McIntyre	8,333
K H McGown	Nil

### 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.

Approved on behalf of the board and signed by

D C McIntyre  
**Director**

20 January 2020



# **THREE THISTLES PLC**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 28 SEPTEMBER 2019**

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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 28 September 2019 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 28 September 2019 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  
20 January 2020

# THREE THISTLES PLC

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 SEPTEMBER 2019

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		2019 £	2018 £
Turnover	3	4,700,852	5,376,573
Cost of sales		(3,880,018)	(4,623,973)
<b>Gross profit</b>		<u>820,834</u>	<u>752,600</u>
Establishment expenses		(454,964)	(467,268)
Administrative expenses		(263,090)	(286,204)
<b>Operating profit/(loss) before exceptional items</b>	4	102,780	(872)
Exceptional items	8	(2,066,666)	-
<b>Operating profit/(loss) after exceptional items</b>		<u>(1,963,886)</u>	<u>(872)</u>
Interest receivable and similar income		1,671	308
Interest payable and similar expenses	9	(50,341)	(50,117)
<b>Loss on ordinary activities before taxation</b>		<u>(2,012,556)</u>	<u>(50,681)</u>
Taxation	10	(13,318)	(3,509)
<b>Loss for the financial year</b>	23	<u><u>(2,025,874)</u></u>	<u><u>(54,190)</u></u>

**THREE THISTLES PLC****STATEMENT OF FINANCIAL POSITION  
AS AT 28 SEPTEMBER 2019**

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		5,942,908		8,895,377
<b>Current assets</b>					
Stocks	13	88,328		98,469	
Debtors	14	108,343		34,249	
Cash at bank and in hand		1,384,943		516,265	
		1,581,614		648,983	
<b>Creditors: amounts falling due within one year</b>	15	(798,025)		(651,108)	
<b>Net current assets/(liabilities)</b>			783,589		(2,125)
<b>Total assets less current liabilities</b>			6,726,497		8,893,252
<b>Creditors: amounts falling due after more than one year</b>	16		(1,570,856)		(1,699,431)
<b>Provisions for liabilities</b>	19		(44,481)		(56,787)
<b>Net assets</b>			5,111,160		7,137,034
<b>Capital and reserves</b>					
Called up share capital	21		3,750,000		3,750,000
Share premium account	22		3,191,825		3,191,825
Profit and loss reserves	23		(1,830,665)		195,209
<b>Total equity</b>			5,111,160		7,137,034

The financial statements were approved by the board of directors and authorised for issue on 20 January 2020 and are signed on its behalf by:

D C McIntyre  
Director

# THREE THISTLES PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 SEPTEMBER 2019

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	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 1 October 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
<b>Year ended 28 September 2019:</b>				
Loss and total comprehensive income for the year	-	-	(2,025,874)	(2,025,874)
<b>Balance at 28 September 2019</b>	<u>3,750,000</u>	<u>3,191,825</u>	<u>(1,830,665)</u>	<u>5,111,160</u>

# THREE THISTLES PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 SEPTEMBER 2019

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		2019		2018	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	312,515		27,362	
Interest paid		(50,341)		(50,117)	
Income taxes paid		-		(50,723)	
<b>Net cash inflow/(outflow) from operating activities</b>		262,174		(73,478)	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(71,044)		(105,952)	
Proceeds on disposal of tangible fixed assets		804,452		-	
Interest received		1,671		308	
<b>Net cash generated from/(used in) investing activities</b>		735,079		(105,644)	
<b>Financing activities</b>					
Repayment of bank loans		(128,575)		(128,889)	
<b>Net cash used in financing activities</b>		(128,575)		(128,889)	
<b>Net increase/(decrease) in cash and cash equivalents</b>		868,678		(308,011)	
Cash and cash equivalents at beginning of year		516,265		824,276	
<b>Cash and cash equivalents at end of year</b>		1,384,943		516,265	

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# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019

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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, net of depreciation and any impairment losses.

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

Heritable property	2% straight line, 0% on land
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 28 SEPTEMBER 2019

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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 less cost to complete and sell.

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 28 SEPTEMBER 2019

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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**

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks 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 28 SEPTEMBER 2019

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### 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.

#### ***Heritable property***

The critical estimate in preparing these financial statements relates to the carrying value of the heritable property, which is stated at cost less impairment as valued by the directors and third parties.

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019

### 3 Turnover and other revenue

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

	2019 £	2018 £
<b>Turnover analysed by class of business</b>		
Liquor sales	2,749,465	3,168,658
Food sales	1,682,488	2,010,583
Other income	224,499	153,141
Gaming income	44,400	44,191
	<u>4,700,852</u>	<u>5,376,573</u>

	2019 £	2018 £
<b>Other revenue</b>		
Interest income	1,671	308
	<u>1,671</u>	<u>308</u>

	2019 £	2018 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	4,700,852	5,376,573
	<u>4,700,852</u>	<u>5,376,573</u>

### 4 Operating profit/(loss) before exceptional items

	2019 £	2018 £
Operating profit/(loss) for the year is stated after charging:		
Depreciation of owned tangible fixed assets	152,395	160,315
Cost of stocks recognised as an expense	1,518,363	1,821,727
	<u>1,670,758</u>	<u>1,982,042</u>

### 5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	105,645	108,163
	<u>105,645</u>	<u>108,163</u>

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019

### 6 Employees

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Directors	3	3
Employees	134	151
	<u>137</u>	<u>154</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,565,360	1,825,154
Social security costs	84,492	98,927
Pension - defined contribution costs	18,446	13,514
	<u>1,668,298</u>	<u>1,937,595</u>

### 7 Auditor's remuneration

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the Company	10,760	10,250
<b>For other services</b>		
All other non-audit services	5,300	6,200

### 8 Exceptional items

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss on disposal of fixed assets	(30,476)	-
Impairment losses	(2,036,190)	-
	<u>(2,066,666)</u>	<u>-</u>

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019

### 9 Interest payable and similar expenses

	2019 £	2018 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	50,341	50,117

### 10 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	27,034	-
Adjustments in respect of prior periods	(1,410)	219
Total current tax	25,624	219
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,535)	3,290
Adjustment in respect of prior periods	1,229	-
Total deferred tax	(12,306)	3,290
Total tax charge	13,318	3,509

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:

	2019 £	2018 £
Loss before taxation	(2,012,556)	(50,681)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(382,386)	(9,629)
Tax effect of expenses that are not deductible in determining taxable profit	4,038	4,876
Change in unrecognised deferred tax assets	-	(387)
Adjustments in respect of prior years	(1,410)	219
Permanent capital allowances in excess of depreciation	390,254	8,430
Deferred tax adjustments in respect of prior years	1,229	-
Adjust opening and closing deferred tax to average rate	1,593	-
Taxation charge for the year	13,318	3,509

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019

### 11 Impairments

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

	2019 £	2018 £
In respect of:		
Properties	2,036,190	-
Impairment losses	<u>2,036,190</u>	<u>-</u>

On 6 June 2019, the Directors instructed CDLH Surveyors Limited to carry out a desktop valuation of the Three Thistles plc portfolio to assist with compliance with Financial Reporting Standard 102 ("FRS 102") in disclosing assets at their fair value. At the date of the valuation the UK was experiencing unusual market conditions given the political uncertainty. Given an element of clarity which has subsequently been gained following the General Election result and based on the Director's knowledge of the market, and in conjunction with improved trading, the Board have decided to reflect an impairment of £2.0m to the carrying value of the assets of the Group at the year end.

### 12 Tangible fixed assets

	Heritable property £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 30 September 2018	10,578,264	2,113,801	12,692,065
Additions	19,264	51,780	71,044
Disposals	(1,716,631)	(324,193)	(2,040,824)
At 28 September 2019	<u>8,880,897</u>	<u>1,841,388</u>	<u>10,722,285</u>
<b>Depreciation and impairment</b>			
At 30 September 2018	2,099,388	1,697,300	3,796,688
Depreciation charged in the year	39,092	113,303	152,395
Impairment losses	2,036,190	-	2,036,190
Eliminated in respect of disposals	(931,572)	(274,324)	(1,205,896)
At 28 September 2019	<u>3,243,098</u>	<u>1,536,279</u>	<u>4,779,377</u>
<b>Carrying amount</b>			
At 28 September 2019	<u>5,637,799</u>	<u>305,109</u>	<u>5,942,908</u>
At 29 September 2018	<u>8,478,876</u>	<u>416,501</u>	<u>8,895,377</u>

# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019

### 13 Stocks

	2019 £	2018 £
Finished goods and goods for resale	88,328	98,469

### 14 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	46,504	5,799
Other debtors	61,839	28,450
	108,343	34,249

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

	Notes	2019 £	2018 £
Bank loans	17	180,000	180,000
Trade creditors		353,889	228,133
Corporation tax		25,624	-
Other taxation and social security		117,441	121,425
Other creditors		18,636	12,841
Accruals and deferred income		102,435	108,709
		798,025	651,108

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

	Notes	2019 £	2018 £
Bank loans	17	1,570,856	1,699,431

### 17 Borrowings

	2019 £	2018 £
Bank loans	1,750,856	1,879,431
Payable within one year	180,000	180,000
Payable after one year	1,570,856	1,699,431



# THREE THISTLES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 SEPTEMBER 2019

### 17 Borrowings (Continued)

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. Interest is charged on a variable rate of 2.1% over base.

### 18 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	108,343	34,249
	<u>          </u>	<u>          </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	2,225,816	2,229,114
	<u>          </u>	<u>          </u>

### 19 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	20	44,481	56,787
		<u>          </u>	<u>          </u>

### 20 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 2019 £	Liabilities 2018 £
<b>Balances:</b>		
Difference between accumulated depreciation and capital allowances.	44,481	56,787
	<u>          </u>	<u>          </u>
<b>Movements in the year:</b>		2019 £
Liability at 30 September 2018		56,787
Credit to profit or loss		(12,306)
		<u>          </u>
Liability at 28 September 2019		44,481
		<u>          </u>

The deferred tax liability set out above is expected to reverse over time 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 28 SEPTEMBER 2019

### 21 Share capital

	2019 £	2018 £
<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>
	<u><u>3,750,000</u></u>	<u><u>3,750,000</u></u>

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

### 22 Share premium account

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

### 23 Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

### 24 Related party transactions

The total remuneration of directors who are considered to be the key management personnel of the company was £105,645 (2018: £108,163).

### 25 Cash generated from operations

	2019 £	2018 £
Loss for the year after tax	(2,025,874)	(54,190)
<b>Adjustments for:</b>		
Taxation charged	13,318	3,509
Finance costs	50,341	50,117
Investment income	(1,671)	(308)
Depreciation and impairment of tangible fixed assets	2,219,061	160,315
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	10,141	(2,931)
(Increase)/decrease in debtors	(74,094)	110,951
Increase/(decrease) in creditors	121,293	(240,101)
	<u>312,515</u>	<u>27,362</u>
<b>Cash generated from operations</b>	<u><u>312,515</u></u>	<u><u>27,362</u></u>