

**Company Registration No. SC118669**

**THE TOWN HOUSE COMPANY LIMITED**

**Report and Financial Statements**

**31 October 2005**



# **THE TOWN HOUSE COMPANY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **THE TOWN HOUSE COMPANY LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Peter J Taylor  
Mhairi J Taylor  
Hamish J Taylor  
Iain P Taylor

### **SECRETARY**

Mhairi J Taylor

### **REGISTERED OFFICE**

35 Drumsheugh Gardens  
Edinburgh  
EH3 7RN

### **BANKERS**

Bank of Scotland  
38 St Andrew Square  
Edinburgh  
EH2 2YR

### **SOLICITORS**

Bell & Scott WS  
16 Hill Street  
Edinburgh  
EH2 3LD

### **INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Edinburgh

# THE TOWN HOUSE COMPANY LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 October 2005.

### ACTIVITIES

The principal activities of the company are hotel management and catering.

### REVIEW OF DEVELOPMENTS

The profit for the year after taxation amounted to £250,203 (2004 - £424,340). The directors consider that the results for the year and the financial position at the end of the year are satisfactory.

### DIVIDENDS

The directors do not recommend the payment of a dividend and the retained profit of £250,203 (2004 - £424,340) will be transferred to reserves.

### FUTURE PROSPECTS

The directors are confident of maintaining profitable operations in the future and continue to seek appropriate trading opportunities for the company.

### DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1.

The interests of the directors in office at 31 October 2005 and 1 November 2004, or subsequent date of appointment, in the shares of the company were as follows:

	Ordinary shares of £1 each	
	2005	2004
Peter J Taylor	99,999	99,999
Mhairi J Taylor	1	1
Hamish J Taylor	-	-
Iain P Taylor	-	-

### AUDITORS

Deloitte and Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



P Taylor

Director

*7th June 2006*

# **THE TOWN HOUSE COMPANY LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF THE TOWN HOUSE COMPANY LIMITED**

We have audited the financial statements of The Town House Company Limited for the year ended 31 October 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, and the related notes 1 to 19 together with the reconciliation of net cash flow to movement in net debt. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 October 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

27 June 2006

# THE TOWN HOUSE COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 October 2005

	Note	2005 £	2004 £
<b>TURNOVER: continuing operations</b>	2	5,404,235	5,241,051
Cost of sales		(2,341,305)	(2,142,449)
Gross profit		3,062,930	3,098,602
Administrative expenses		(2,457,539)	(2,717,938)
<b>OPERATING PROFIT: continuing operations</b>	4	605,391	380,664
Interest payable and similar charges	5	(246,750)	(75,165)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		358,641	305,499
Tax (charge)/credit on profit on ordinary activities	6	(108,438)	118,841
<b>PROFIT FOR THE FINANCIAL YEAR</b>		250,203	424,340
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		250,203	424,340
Retained profit brought forward		3,138,647	2,714,307
Retained profit carried forward	14	3,388,850	3,138,647

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year. Accordingly no statement of total recognised gains and losses is presented.

# THE TOWN HOUSE COMPANY LIMITED

## BALANCE SHEET 31 October 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>16,038,092</u>	<u>16,016,025</u>
<b>CURRENT ASSETS</b>			
Stocks	8	31,147	29,553
Debtors	9	243,168	269,821
Cash at bank and in hand		<u>3,339</u>	<u>45,879</u>
		277,654	345,253
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(1,577,807)</u>	<u>(1,535,158)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,300,153)</u>	<u>(1,189,905)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,737,939	14,826,120
<b>CREDITORS: amounts falling due after more than one year</b>	11	(3,299,897)	(3,746,719)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	<u>(607,169)</u>	<u>(498,731)</u>
		<u>10,830,873</u>	<u>10,580,670</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	100,000	100,000
Revaluation reserve	14	7,327,323	7,327,323
Other reserves	14	14,700	14,700
Profit and loss account	14	<u>3,388,850</u>	<u>3,138,647</u>
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>10,830,873</u>	<u>10,580,670</u>

These financial statements were approved by the Board of Directors on 7<sup>th</sup> Dec 2006.

Signed on behalf of the Board of Directors



P Taylor  
Director



# THE TOWN HOUSE COMPANY LIMITED

## CASH FLOW STATEMENT Year ended 31 October 2005

	Note	2005 £	2004 £
Net cash inflow from operating activities	17	625,246	756,753
Returns on investments and servicing of finance			
Interest paid		(246,750)	(75,165)
Capital expenditure			
Payments to acquire tangible fixed assets		(201,775)	(20,091)
Receipts from the sale of fixed assets		-	11,000
Equity dividends paid		(50,000)	-
Net cash inflow before financing		126,721	672,497
Financing			
Repayment of director's loan		-	(100,000)
Repayment of hire purchase		(55,076)	(40,225)
Repayment of loans		(407,700)	(402,449)
Net cash outflow from financing		(462,776)	(542,674)
(Decrease)/increase in cash	18	(336,055)	129,823

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £	2004 £
(Decrease)/increase in cash in the period	(336,055)	129,823
Cash outflow from decrease in debt	462,776	542,674
Change in net debt	126,721	672,497
Opening net debt	(4,166,135)	(4,838,632)
Closing net debt	(4,039,414)	(4,166,135)

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2005**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of heritable property.

**Fixed assets**

The company has adopted a valuation policy for heritable property. Heritable property is valued including trading potential. A full valuation of each property is carried out every five years by a qualified external valuer, with interim valuations after three years. The surplus or deficit on book value is transferred to the revaluation reserve. Other fixed assets are carried at cost less depreciation.

No depreciation is provided on heritable property. The company follows a programme of regular refurbishment and maintenance of its heritable property, which includes the re-instatement of the fabric of the buildings, where necessary, in order to maintain them to a high standard. The costs of refurbishment and maintenance are charged to the profit and loss account as incurred. The directors review the value of heritable property annually and a provision is made for any impairment accordingly.

This policy is not in accordance with the Companies Act 1985. However, the directors consider that any depreciation arising would not be material to the company.

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost of the assets over their expected useful lives as follows:

Furniture and equipment	10% per annum reducing balance and 25% per annum straight line
Motor vehicles	25% per annum reducing balance

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

**Taxation**

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2005

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Hire purchase and leased assets

Assets held under hire purchase and finance lease agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the arrangements and are depreciated over the shorter of the lease terms and their useful lives. The excess of the payments over the recorded obligations are treated as finance charges which are charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of the capital outstanding.

#### Pension contributions

The company operates a defined contribution pension scheme for all employees. Contributions to the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### 2. TURNOVER

Turnover represents amounts derived from the provision of goods and services and is recognised when the goods and services have been provided. All amounts fall within the company's ordinary activities after deduction of Value Added Tax and arise in the United Kingdom.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2005 £	2004 £
<b>Directors' remuneration</b>		
Emoluments	125,101	216,259
Other benefits	-	12,937
Pension contributions	109,000	32,491
	<u>234,101</u>	<u>261,687</u>

One director participated in the company defined contribution pension scheme (2004 – 1).

The above details include the following amounts in respect of the highest paid director:

	2005 £	2004 £
Emoluments	55,781	176,171
Pension contributions	109,000	3,491
	<u>164,781</u>	<u>179,662</u>

	No	No
<b>Average number of persons employed</b>	<u>157</u>	<u>155</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Gross wages and salaries	1,962,155	1,865,322
Social security costs	165,210	155,580
Pension contributions	134,989	60,052
	<u>2,262,354</u>	<u>2,080,954</u>

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2005

### 4. OPERATING PROFIT

	2005 £	2004 £
Operating profit is after charging/(crediting):		
Depreciation		
- on owned assets	140,002	98,997
- on assets under hire purchase contracts	39,706	75,986
Gain on sale of fixed assets	-	(1,011)
Auditors' remuneration	7,000	7,000

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank overdraft	22,510	27,646
Bank loans	219,401	37,266
Hire purchase	4,839	10,253
	<u>246,750</u>	<u>75,165</u>

A refund of £199,000 in respect of overcharges in bank loan interest since 2001 was received in the prior year and has been netted off against bank loan interest paid in that year.

### 6. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
Deferred taxation (Note 12)		
Origination and reversal of timing differences	105,860	95,143
Adjustment in respect of prior years	2,578	(213,984)
Tax on profit on ordinary activities	<u>108,438</u>	<u>(118,841)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2004 - 30%). The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation.

	2005 £	2004 £
Profit on ordinary activities before tax	<u>358,641</u>	<u>305,499</u>
Tax charge on profit on ordinary activities at standard rate	107,592	91,650
<i>Factors affecting charge for the year</i>		
Non deductible expenses	11,591	(1,218)
Utilisation of tax losses	(53,689)	(70,400)
Movement in short term timing differences	(23,679)	8,518
Capital allowances in excess of depreciation	(41,815)	(28,550)
Total actual amount of current tax	<u>-</u>	<u>-</u>

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2005

### 7. TANGIBLE FIXED ASSETS

	Heritable property £	Furniture & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At 1 November 2004	14,834,479	2,668,345	68,867	17,571,691
Additions	16,949	184,826	-	201,775
At 31 October 2005	14,851,428	2,853,171	68,867	17,773,466
<b>Accumulated depreciation</b>				
At 1 November 2004	-	1,502,487	53,179	1,555,666
Charge for the year	-	175,786	3,922	179,708
At 31 October 2005	-	1,678,273	57,101	1,735,374
<b>Net book value</b>				
At 31 October 2005	14,851,428	1,174,898	11,766	16,038,092
At 31 October 2004	14,834,479	1,165,858	15,688	16,016,025

At 31 October 2005 the net book value of assets held under hire purchase agreements amounted to £37,030 (2004 - £108,705).

In November 2003 the directors obtained a valuation of the properties by Ryden, Chartered Surveyors. All valuations of heritable properties are on the basis of the properties as fully operational entities having regard to their trading potential. Notional acquisition costs included in the valuation are not material. The directors have reviewed the valuations of the heritable properties at 31 October 2005 and are satisfied that there has been no diminution in value since the November 2003 valuation noted above.

Comparable amounts in respect of the revalued heritable property determined according to the historical cost convention are as follows:

	Heritable Property	
	2005 £	2004 £
Cost	7,507,156	7,498,484
Additions	16,949	8,672
	<u>7,524,105</u>	<u>7,507,156</u>

### 8. STOCKS

	2005 £	2004 £
Food and liquor	<u>31,147</u>	<u>29,553</u>

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2005

### 9. DEBTORS

	2005 £	2004 £
Trade debtors	209,884	213,688
Other debtors	18,364	-
Prepayments and accrued income	14,920	56,133
	<u>243,168</u>	<u>269,821</u>

All amounts are due within one year.

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank overdraft	296,098	2,583
Bank loans	407,700	407,700
Hire purchase and finance leases	39,058	55,012
Trade creditors	328,412	394,986
Payments on account	72,482	63,032
Other taxes and social security	267,831	262,729
Accruals and deferred income	166,226	209,871
Proposed dividend	-	50,000
Other creditors	-	89,245
	<u>1,577,807</u>	<u>1,535,158</u>

The bank loans and overdraft are secured by a first standard security and bond and floating charge over the property and assets of the company. The loans bear interest of 1.5% to 2% over bank base rate and are repayable in equal monthly instalments with the last payment due on 1 October 2012.

Hire purchase and finance leases are secured on the related assets.

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2005

### 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £	2004 £
Bank loans	3,295,485	3,703,185
Hire purchase and finance leases	4,412	43,534
	<u>3,299,897</u>	<u>3,746,719</u>
	2005 £	2004 £
The term loans are repayable in instalments as follows:		
Within one year	407,700	407,700
Between one and two years	407,700	407,700
Between two and five years	1,223,100	1,223,100
After more than five years	1,664,685	2,072,385
	<u>3,703,185</u>	<u>4,110,885</u>
Included in creditors falling due within one year	(407,700)	(407,700)
	<u>3,295,485</u>	<u>3,703,185</u>

### 12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
<b>Deferred taxation at 30%</b>	
Balance at 1 November 2004	498,731
Provision charged to profit and loss account (Note 6)	108,438
	<u>607,169</u>
Balance at 31 October 2005	

The potential amounts of deferred taxation provided and not provided are as follows:

	2005 £	2004 £
Capital allowances in advance of depreciation	623,073	581,258
Losses	(19,656)	(82,527)
	<u>607,169</u>	<u>498,731</u>

No deferred taxation has been provided on the revaluation reserve as there is no short term intention to sell the properties to which the reserve relates.

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2005

### 13. CALLED UP SHARE CAPITAL

	2005 £	2004 £
<b>Authorised</b>		
500,000 ordinary shares of £1 each	500,000	500,000
<b>Called up, allotted and fully paid</b>		
100,000 ordinary shares of £1 each	100,000	100,000

The company set up an unapproved share option scheme for the benefit of its senior management and directors during the year ended 31 October 2001. The total number of options granted amount to 3,000 at an exercise price of 10p per share. The estimated benefit of granting the options at a price less than estimated market value, being £14,700, was charged to the profit and loss account and credited to other reserves in the year ended 31 October 2001. No additional options have been granted and none have been exercised.

### 14. RECONCILIATION OF MOVEMENTS IN RESERVES

	Other Reserves £	Revaluation Reserve £	Profit and Loss Account £
At 1 November 2004	14,700	7,327,323	3,138,647
Profit for the year	-	-	250,203
At 31 October 2005	14,700	7,327,323	3,388,850

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the financial year	250,203	424,340
Net addition to shareholders' funds	250,203	424,340
Opening shareholders' funds	10,580,670	10,156,330
Closing shareholders' funds	10,830,873	10,580,670

### 16. PENSION CONTRIBUTIONS

During the year the company paid contributions into the company defined contribution pension scheme amounting to £25,989 (2004 – £27,561) and a private defined contribution pension scheme of £109,000 (2004 - £32,491) as detailed in note 3.



# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2005

### 17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating profit	605,391	380,664
Depreciation charge	179,708	174,983
Gain on disposal of fixed assets	-	(1,011)
Increase in stock	(1,594)	(2,492)
Decrease in debtors	26,653	90,592
(Decrease)/increase in creditors	(184,912)	114,017
<b>Net cash inflow from operating activities</b>	<b>625,246</b>	<b>756,753</b>

### 18. ANALYSIS OF CHANGES IN NET DEBT

	At 31 October 2004 £	Cash flows £	Non-cash flow changes £	At 31 October 2005 £
Cash at bank and in hand	45,879	(42,540)	-	3,339
Bank overdraft	(2,583)	(293,515)	-	(296,098)
	<u>43,296</u>	<u>(336,055)</u>	<u>-</u>	<u>(292,759)</u>
Debt due within 1 year	(407,700)	407,700	(407,700)	(407,700)
Debt due after more than one year	(3,703,185)	-	407,700	(3,295,485)
Hire purchase and finance leases	(98,546)	55,076	-	(43,470)
	<u>(4,209,431)</u>	<u>462,776</u>	<u>-</u>	<u>(3,746,655)</u>
	<u>(4,166,135)</u>	<u>126,721</u>	<u>-</u>	<u>(4,039,414)</u>

### 19. POST BALANCE SHEET EVENTS

On 29 December 2005 the company set up a wholly owned subsidiary Belsco 1026 Limited for the purpose of purchasing a new property in Glasgow suitable for development into a hotel.

On 20 January 2006 Belsco 1026 Limited completed the purchase of the premises formally known as The Royal Scottish Automobile Club, Blythswood Square, Glasgow for a consideration of £4,650,000. The purchase was wholly funded by the means of a £5,000,000 term loan issued by the Bank of Scotland payable over 15 years attracting interest at the rate of 1% over the current Bank of England base rate.