

Company Registration No. SC118669

THE TOWN HOUSE COMPANY LIMITED

Report and Financial Statements

31 October 2006



THE TOWN HOUSE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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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 2006

ACTIVITIES

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

REVIEW OF THE BUSINESS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

Turnover grew over the previous year by 4.88% with strong volume and growth across all hotels within the company. Operating margin has also increased to 11.82%. The profit for the year before tax has risen to £443,324 (2005: £358,641). Notwithstanding this improvement, the directors have not recommended a dividend.

The directors regard the results of the company for the year, and the company's financial position, as satisfactory and expect the growth and development of the business to continue in the forthcoming year.

RISK MANAGEMENT

In common with most businesses, The Town House Company Limited goes to considerable lengths to ensure that the major risks faced by the company are identified and evaluated, and where possible, well managed and controlled.

This is a family owned company with the principal shareholder working full time within the business. The Board meets on a regular basis to discuss key issues affecting the company. The day to day management of the company is carried out by a senior management team who meet fortnightly under the chairmanship of the managing director and principal shareholder to deal with operational, financial and compliance issues. The risk profile of the company is reviewed at least once a year by the Board.

The principal operational risks are associated with the performance of each of the company's hotels. The company continues to focus investment in these hotels in order to continue successful penetration of the marketplace. The company is also dependent on the economic prosperity of the tourist and business tourist markets in which it sells, and it continues to monitor the risk in these areas.

Through its wholly owned subsidiary, the company has recently purchased and is in the process of refurbishing hotel facilities in Glasgow to create a new 88 bedroom boutique hotel. The company has carried out significant market research to ascertain the need for such facilities. The company is closely monitoring the development of these facilities to ensure this takes place within planned costs.

As a result of the above the company actively maintains a mixture of long and short term debt finance designed to ensure it has sufficient funds available for its activities, and has a policy of stabilising interest costs at acceptable levels through a mixture of borrowing arrangements.

The company's principal financial assets are bank balances, cash and trade receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Board are of the opinion the company has no concentration of credit risk, with exposure spread over a large number of customers.

The Board of the company retains overall responsibility for the company's system of internal financial control, which is designed to give reasonable assurance against material financial misstatement or loss. Financial controls have been established which the Board believes enables it to meet its responsibility for the integrity and accuracy of the company's accounting records.

The external auditors are engaged to express an opinion on the financial statements. They independently review and test the system of internal financial control and the information contained in the financial statements to the extent necessary for expressing that opinion.

THE TOWN HOUSE COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 October 2006	At 1 November 2005
Peter J Taylor	99,999	99,999
Mhairi J Taylor	1	1
Hamish J Taylor	-	-
Iain P Taylor	-	-

AUDITORS

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234Za of the Companies Act 1985.

A resolution to re appoint Deloitte & Touche LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office:
35 Drumsheugh Gardens
Edinburgh
EH3 7RN

Signed by order of the directors



Peter J Taylor
Director

Approved by the directors on 20 September 2007

THE TOWN HOUSE COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 judgments 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 that 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 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 2006 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 22. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

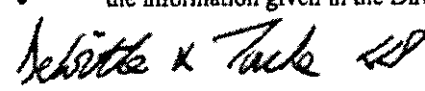
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom

21 February 2007


THE TOWN HOUSE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 October 2006

	Note	2006 £	Restated (Note 1) 2005 £
TURNOVER	2	5,668,140	5,404,235
Cost of sales		(3,770,946)	(3,646,265)
GROSS PROFIT		1,897,194	1,757,970
Administrative expenses		(1,227,083)	(1,152,579)
OPERATING PROFIT	3	670,111	605,391
Interest payable and similar charges	6	(226,787)	(246,750)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		443,324	358,641
Tax (charge)/credit on profit on ordinary activities	7	(117,612)	(108,438)
PROFIT FOR THE FINANCIAL YEAR	18	325,712	250,203

All of the activities of the company are classed as continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006 £	2005 £
Profit for the financial year attributable to the shareholders	325,172	250,203
Unrealised profit on revaluation of certain fixed assets	9,648,572	
Total gains and losses recognised during the year and since the last annual report	9,973,744	250,203

THE TOWN HOUSE COMPANY LIMITED

BALANCE SHEET 31 October 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	25,692,506	16,038,092
Investments	9	100	-
		<u>25,692,606</u>	<u>16,038,092</u>
CURRENT ASSETS			
Stocks	10	36,417	31,147
Debtors			
due within one year	11	261,448	243,168
- due after more than one year	11	171,866	-
Cash at bank and in hand		4,258	3,339
		<u>473,989</u>	<u>277,654</u>
CREDITORS, amounts falling due within one year	12	<u>(1,772,525)</u>	<u>(1,577,807)</u>
NET CURRENT LIABILITIES		<u>(1,298,536)</u>	<u>(1,300,153)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,394,070	14,737,939
CREDITORS: amounts falling due after more than one year	13	<u>(2,913,381)</u>	<u>(3,299,897)</u>
		21,480,689	11,438,042
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(675,532)</u>	<u>(607,169)</u>
NET ASSETS		<u>20,805,157</u>	<u>10,830,873</u>
CAPITAL AND RESERVES			
Called up share capital	17	100,000	100,000
Revaluation reserve	18	16,975,895	7,327,323
Other reserves	18	14,700	14,700
Profit and loss account	18	3,714,562	3,388,850
SHAREHOLDERS' FUNDS	18	<u>20,805,157</u>	<u>10,830,873</u>

These financial statements were approved by the Board of Directors on 20th July 2007

Signed on behalf of the Board of Directors



P Taylor
Director

THE TOWN HOUSE COMPANY LIMITED

CASH FLOW STATEMENT Year ended 31 October 2006

	Note	2006 £	2005 £
Net cash inflow from operating activities	19	852,313	625,246
Returns on investments and servicing of finance	19	(226,787)	(246,750)
Capital expenditure and financial investment	19	(79,258)	(201,775)
Acquisitions and disposals			
Acquisitions of shares in group undertakings		(100)	
Net cash outflow from acquisitions and disposals		(100)	
Equity dividends paid		-	(50,000)
Cash inflow before financing		546,168	126,721
Financing	19	(456,456)	(462,776)
Increase/(decrease) in cash	19	89,712	(336,055)

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2006

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.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts. These financial statements present information for the company only and not the group as a whole.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

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 every three years. The surplus or deficit on book value is transferred to the revaluation reserve. Other fixed assets are carried at cost less depreciation.

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

Investments

Investments are recorded at cost. The directors carry out a review annually and a provision is made for impairment accordingly

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Hire purchase agreements

Assets held under hire purchase contracts and the related obligations are recorded in the balance sheet at their fair value on acquisition and depreciated over the shorter of the lease term and their estimated useful lives. The amounts by which the payments exceed the recorded obligations are treated as finance charges which are amortised over each agreement term to give a constant rate of charge on the remaining balance of the obligation

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2006

1. ACCOUNTING POLICIES (CONTINUED)

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account using the actuarial method, and the capital element which reduces the outstanding obligation for future instalments.

Deferred 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

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.

Prior year reclassification

During the current year the directors have carried out a review of the classification of certain cost categories. This review has resulted in the following expense headings being disclosed as cost of sales as opposed to administration expenses: heat and light; rates and insurance; repairs and maintenance, maintenance fees, commission and charges; laundry and cleaning, guest supplies and depreciation. The effect of this reclassification on the prior year is to transfer £1,304,960 from administration expenses to cost of sales. The operating profit for the prior year remains unchanged.

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2006

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. OPERATING PROFIT

	2006 £	2005 £
Operating profit is after charging/(crediting):		
Depreciation		
- on owned assets	104,593	140,002
- on assets under hire purchase contracts	21,234	39,706
Gain on sale of fixed assets	(1,250)	-
Auditors' remuneration	8,000	7,000

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2006 No	2005 No
Number of staff	158	157

	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,160,137	1,962,155
Social security costs	174,029	165,210
Pension contributions	32,227	134,989
	2,366,393	2,262,354

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2006

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2006 £	2005 £
Emoluments receivable	203,921	125,101
Value of company pension contributions to money purchase schemes	9,000	109,000
	<u>212,921</u>	<u>234,101</u>

One director participated in the company defined contribution pension scheme (2005 – 1)

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

	2006 £	2005 £
Emoluments	191,921	55,781
Pension contributions	9,000	109,000
	<u>200,921</u>	<u>164,781</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank interest and charges	17,746	22,510
Hire purchase interest	3,324	4,839
Term loan interest	205,717	219,401
	<u>226,787</u>	<u>246,750</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2006

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current tax:		
UK corporation tax based on the results for the year at 30% (2005 30%)	117,612	108,438
Current tax charge	49,249	-
Deferred tax charge (Note 15)	68,363	108,438
	117,612	108,438

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

	2006 £	2005 £
Profit on ordinary activities before tax	443,324	358,641
Tax charge on profit on ordinary activities at standard rate	132,997	107,592
<i>Factors affecting charge for the year</i>		
Non deductible expenses	9,000	11,591
Utilisation of tax losses	(23,914)	(53,689)
Movement in short term timing differences	(376)	(23,679)
Marginal rate adjustment	(14,757)	-
Capital allowances in excess of depreciation	(53,701)	(41,815)
Total actual amount of current tax	49,249	-

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

8. TANGIBLE FIXED ASSETS

	Heritable property £	Furniture & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 November 2005	14,851,428	2,853,171	68,867	17,773,466
Additions	-	131,668		131,668
Disposals			(8,009)	(8,009)
Revaluation	9,648,572	-	-	9,648,572
At 31 October 2006	24,500,000	2,984,839	60,858	27,545,697
Accumulated depreciation				
At 1 November 2005		1,678,272	57,101	1,735,373
Charge for the year	-	122,886	2,941	125,827
On disposals			(8,009)	(8,009)
At 31 October 2006		1,801,158	52,033	1,853,191
Net book value				
At 31 October 2006	24,500,000	1,183,681	8,825	25,692,506
At 31 October 2005	14,851,428	1,174,898	11,766	16,038,092

Hire purchase agreements

Included within the net book value of £25,692,506 is £66,958 (2005 - £37,030) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £21,234 (2005 - £39,706).

In September 2006 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 value of the properties is now considered to be £24,500,000. The revaluation reserve has been adjusted accordingly.

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

	Heritable Property	
	2006 £	2005 £
Cost	7,524,105	7,507,156
Additions	-	16,949
	<u>7,524,105</u>	<u>7,524,105</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

9. INVESTMENTS

	£
Belsco 1026 Limited	
Cost	
Additions	100
At 31 October 2006	<u>100</u>
Net Book Value	
At 31 October 2006	<u>100</u>

The company owns 100% of the issued share capital of Belsco 1026 Limited, a company incorporated on 29 December 2005 in Scotland. The company will provide hotel management and catering services upon completion of the building development as detailed below.

Its net assets at 31 October 2006 were £2,986 and its profit after taxation for the period to 31 October 2006 was £2,865.

Belsco 1026 Limited has purchased buildings in Glasgow and is in the process of refurbishing them to create a new, boutique hotel. The directors estimate that the redevelopment will cost approximately £19m (including the purchase of the building) and this will be funded by the company's bankers. There were no amounts contracted for or committed at the year end.

10. STOCKS

	2006 £	2005 £
Food and liquor	<u>36,417</u>	<u>31,147</u>

11. DEBTORS

	2006 £	2005 £
Due within one year:		
Trade debtors	178,095	209,884
Other debtors	66,488	18,364
Prepayments and accrued income	16,865	14,920
	<u>261,448</u>	<u>243,168</u>
Due after more than one year:		
Amounts due from subsidiary undertaking	171,866	
	<u>433,314</u>	<u>243,168</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Bank loans and overdraft	615,006	703,798
Trade creditors	407,867	328,412
Other taxation and social security	248,318	267,831
Corporation tax	49,249	-
Hire purchase agreements	20,278	39,058
Other creditors	87,361	72,482
	<u>1,428,079</u>	<u>1,411,581</u>
Accruals and deferred income	344,446	166,226
	<u>1,772,525</u>	<u>1,577,807</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 lease obligations are secured on the related assets.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Bank loans	2,887,785	3,295,485
Hire purchase agreements	25,596	4,412
	<u>2,913,381</u>	<u>3,299,897</u>

	2006 £	2005 £
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	1,256,985	1,664,685
	<u>3,295,485</u>	<u>3,703,185</u>
Included in creditors falling due within one year	(407,700)	(407,700)
	<u>2,887,785</u>	<u>3,295,485</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2006 £	2005 £
Amounts payable within 1 year	20,278	39,058
Amounts payable between 1 and 2 years	25,596	4,412
Balance at 31 October 2006	<u>45,874</u>	<u>43,470</u>

15. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2006 £	2005 £
Provision brought forward	607,169	498,731
Charge for the year	68,363	108,438
Provision carried forward	<u>675,532</u>	<u>607,169</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed asset	676,280	623,073
Tax losses available		(19,656)
Other timing differences	(748)	3,752
	<u>675,532</u>	<u>607,169</u>

16. RELATED PARTY TRANSACTIONS

The company was under the control of Mr P Taylor throughout the current and previous year. Mr P Taylor is the managing director and majority shareholder.

During the year Mr I Taylor, a director, purchased £2,546 (2005: £nil) goods and services from the company. This amount remains outstanding at the year end and is included within other debtors (Note 11).

During the year the company made payments to suppliers of £171,866 (Note 11) on behalf of its wholly owned subsidiary, Belsco 1026 Limited. This amount remains outstanding at the year end. The Board of directors is common to both companies.

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

17 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
500,000 ordinary shares of £1 each	500,000	500,000
Called up, allotted and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000
Equity shares		
100,000 Ordinary shares of £1 each	100,000	100,000

18. RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENTS IN RESERVES

	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total share- holders funds £
Balance brought forward	100,000	7,327,323	14,700	3,388,850	10,830,873
Profit for the year	-			325,712	325,712
Revaluation of fixed assets		9,648,572		-	9,648,572
Balance carried forward	100,000	16,975,895	14,700	3,714,562	20,805,157

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

19. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	670,111	605,391
Depreciation charge	125,827	179,708
Gain on disposal of fixed assets	(1,250)	
Increase in stock	(5,270)	(1,594)
(Increase)/decrease in debtors	(190,146)	26,653
Increase/(decrease) in creditors	253,041	(184,912)
Net cash inflow from operating activities	852,313	625,246

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2006 £	2005 £
Interest paid	(223,463)	(241,911)
Interest element of hire purchase	(3,324)	(4,839)
Net cash outflow from returns on investments and servicing of finance	(226,787)	(246,750)

CAPITAL EXPENDITURE

	2006 £	2005 £
Payments to acquire tangible fixed assets	(80,508)	(201,775)
Receipts from sale of fixed assets	1,250	-
Net cash outflow from capital expenditure	(79,258)	(201,775)

FINANCING

	2006 £	2005 £
Repayment of bank loans	(407,700)	(407,700)
Repayment of hire purchase agreements	(48,756)	(55,076)
Net cash outflow from financing	(456,456)	(462,776)

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2006

19. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2006 £	2005 £
Increase/(decrease) in cash in the period	89,712	(336,055)
Net cash outflow from bank loans	407,700	407,700
Net cash outflow in respect of hire purchase	48,756	55,076
Change in net debt arising from cash flows	546,168	126,721
New hire purchase agreements entered into during the year	(51,160)	
Net debt at 1 November 2005	(4,039,414)	(4,166,135)
Net debt at 31 October 2006	(3,544,406)	(4,039,414)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Nov 2005 £	Cash flows £	Non-cash flow changes £	At 31 October 2006 £
Cash in hand	3,339	920		4,259
Bank overdraft	(296,098)	88,792		(207,306)
	(292,759)	89,712		(203,047)
Debt due within 1 year	(407,700)	407,700	(407,700)	(407,700)
Debt due after more than one year	(3,295,485)	-	407,700	(2,887,785)
Hire purchase agreements	(43,470)	48,756	(51,160)	(45,874)
	(3,746,655)	456,456	(51,160)	(3,341,359)
Net debt	(4,039,414)	495,008	(51,160)	(3,544,406)

20. PENSIONS

During the year the company paid contributions into the company defined contribution pension scheme amounting to £23,277 (2005 – £25,989) and a private defined contribution pension scheme of £9,000 (2005 £109,000) as detailed in note 5

21. CAPITAL COMMITMENTS

The directors have confirmed that there were no capital commitments at 31 October 2006 (2005: £nil)

22. CONTROLLING PARTY

The ultimate controlling party is Peter Taylor, director and majority shareholder