

Company Registration No. SC118669

THE TOWN HOUSE COMPANY LIMITED

Report and Financial Statements

31 October 2008

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THE TOWN HOUSE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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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
Hans Rissmann
Douglas J Brotherston

SECRETARY

Douglas J Brotherston

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 LLP
Edinburgh, United Kingdom

THE TOWN HOUSE COMPANY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 October 2008.

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 fell slightly from the previous year by 1%. Operating margin has remained stable at 57%. The profit for the year before tax has risen to £548,655 (2007: £222,370) driven by a decrease in administration expenses. The directors have not recommended a dividend in respect of the current year.

The company, and its subsidiary undertaking as detailed in Note 9, (together "the group") meets its day to day working capital requirements through an overdraft facility and cash flows generated from its trading activities. In their consideration of going concern, the directors have reviewed the group's future cash flow forecasts and associated risks; these forecasts extend for a period beyond one year from the date of approval of these financial statements. The group's heritable trading assets are funded by bank term loans which are subject to financial covenants and are secured over the group's fixed assets. The subsidiary undertaking's heritable asset is undergoing a major re-development into a premium hotel and leisure facility that is scheduled to be completed during October 2009 based on confirmed hand over schedules agreed with the main contractor. This asset and its subsequent re-development are funded through a structure of term, development and mezzanine loans provided by the bank intended to enable the development work to be completed and a period of trading to be established.

The collective facilities (described above) were approved by the bank and the board of directors for each entity on 17 June 2009. These facilities have terms that extend beyond the going concern foresight period with the exception of working capital facilities which fall due for review with the bank on 31 December 2009. In approving the collective facilities in June 2009 no matters have been drawn to the attention of the directors to suggest that renewal of the working capital facilities may not be forthcoming on acceptable terms. The mezzanine elements of the bank funding provided total £7.7m (principal). These amounts, in addition to the prescribed returns to the bank, will require to be refinanced by the group by 31 October 2010. The directors are currently considering a range of options in respect of alternative funding structures that they anticipate to conclude upon through the forthcoming year.

The directors acknowledge that current economic conditions create uncertainty particularly over the level of demand for the group's services. Nevertheless, the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current funding levels and associated financial covenants.

After making enquiries, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

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.

THE TOWN HOUSE COMPANY LIMITED

DIRECTORS' REPORT

RISK MANAGEMENT (CONTINUED)

Through its wholly owned subsidiary, the company purchased and is in the process of refurbishing hotel facilities in Glasgow to create a new 100 bedroom boutique hotel that is scheduled to open in October 2009. The company has carried out significant market research to ascertain the need for such facilities. The company closely monitors the development of these facilities with regards to cost and development timescales.

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.

DIRECTORS

The directors who served the company during the year and to the date of this report were:

Peter J Taylor
Mhairi J Taylor
Hamish J Taylor
Iain P Taylor
Hans Rissmann (appointed 1 April 2008)
Douglas J Brotherton (appointed 1 April 2008)

INDEPENDENT AUDITORS

Each of the persons who are directors of the company at the date when this report is approved confirms that:

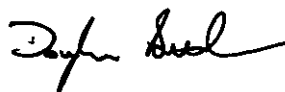
- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's 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.

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

Registered office:
35 Drumsheugh Gardens
Edinburgh
EH3 7RN

Signed by order of the directors



DOUGLAS J BROTHERTON
Company Secretary

Approved by the directors on 18/06/09

THE TOWN HOUSE COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 2008 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 2008 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 LLP
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom

19 Feb 2009

THE TOWN HOUSE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 October 2008

	Note	2008 £	2007 £
TURNOVER	2	6,029,678	6,096,837
Cost of sales		(2,637,678)	(2,612,462)
GROSS PROFIT		3,392,000	3,484,375
Administrative expenses		(2,631,446)	(3,011,459)
OPERATING PROFIT	3	760,554	472,916
Interest payable and similar charges	6	(211,899)	(250,546)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		548,655	222,370
Tax (charge)/credit on profit on ordinary activities	7	(9,220)	380,482
PROFIT FOR THE FINANCIAL YEAR	18	539,435	602,852

All of the activities of the company are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008 £	2007 £
Profit for the financial year attributable to the shareholders	539,435	602,852
Unrealised loss on revaluation of heritable property	(1,958,280)	-
Total gains and losses recognised during the year and since the last annual report	(1,418,845)	602,852

THE TOWN HOUSE COMPANY LIMITED

BALANCE SHEET 31 October 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible fixed assets	8	23,760,311	25,724,790
Investments	9	100	100
		<u>23,760,411</u>	<u>25,724,890</u>
CURRENT ASSETS			
Stocks	10	35,969	32,347
Debtors			
- due within one year	11	426,830	556,152
- due after more than one year	11	66,792	4,398
Cash at bank and in hand		4,818	6,150
		<u>534,409</u>	<u>599,047</u>
CREDITORS: amounts falling due within one year	12	<u>(1,892,541)</u>	<u>(2,093,181)</u>
NET CURRENT LIABILITIES		<u>(1,358,132)</u>	<u>(1,494,134)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		22,402,279	24,230,756
CREDITORS: amounts falling due after more than one year	13	<u>(2,072,385)</u>	<u>(2,491,237)</u>
		20,329,894	21,739,519
PROVISIONS FOR LIABILITIES	15	<u>(340,730)</u>	<u>(331,510)</u>
NET ASSETS		<u>19,989,164</u>	<u>21,408,009</u>
CAPITAL AND RESERVES			
Called up share capital	17	100,000	100,000
Revaluation reserve	18	15,017,615	16,975,895
Other reserves	18	14,700	14,700
Profit and loss account	18	4,856,849	4,317,414
SHAREHOLDERS' FUNDS	18	<u>19,989,164</u>	<u>21,408,009</u>

These financial statements were approved by the Board of Directors on 18 June 2009.

Signed on behalf of the Board of Directors



P Taylor
Director

THE TOWN HOUSE COMPANY LIMITED

CASH FLOW STATEMENT Year ended 31 October 2008

	Note	2008 £	2007 £
Net cash inflow from operating activities	19	896,044	421,210
Returns on investments and servicing of finance	19	(211,899)	(250,546)
Corporation tax paid		-	(12,789)
Capital expenditure and financial investment	19	(130,563)	(169,846)
Cash inflow/ (outflow) before financing		553,582	(11,971)
Financing	19	(428,268)	(276,105)
Increase/ (decrease) in cash	19	<u>125,314</u>	<u>(288,076)</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior year.

Basis of preparation

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

The company's business activities, together with the factors likely to affect its future prospects, are discussed in the director's report on page two. After making enquiries, the directors have a reasonable expectation that the company and its subsidiary undertaking have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Consolidation

In the opinion of the directors, the company and its subsidiary undertaking 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, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. Other fixed assets are stated at cost net of depreciation and any provision for impairment.

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.

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

1. ACCOUNTING POLICIES (CONTINUED)

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 agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis over the lease term.

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.

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, in the future 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 measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on a non discounted basis.

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.

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.

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2008

3. OPERATING PROFIT

	2008 £	2007 £
Operating profit is after charging:		
Depreciation		
- on owned assets	124,241	120,688
- on assets under hire purchase contracts	12,521	16,874
Auditor's remuneration	11,000	9,000
	<u>147,762</u>	<u>146,562</u>

4. PARTICULARS OF EMPLOYEES

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

	No	No
Number of staff	136	154
	<u>136</u>	<u>154</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,239,946	2,223,687
Social security costs	199,454	200,620
Pension contributions	38,960	445,518
	<u>2,478,360</u>	<u>2,869,825</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

5. DIRECTORS' EMOLUMENTS

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

	2008 £	2007 £
Emoluments receivable	118,750	234,893
Value of company pension contributions to money purchase schemes	1,050	415,020
	<u>119,800</u>	<u>649,913</u>

One director participated in the company defined contribution pension scheme (2007 – 1). Details of transactions with directors are given in note 12.

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

	2008 £	2007 £
Emoluments	100,000	207,353
Pension contributions	1,050	415,020
	<u>101,050</u>	<u>622,373</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Bank interest and charges	42,045	48,361
Hire purchase interest	-	5,417
Term loan interest	169,854	196,768
	<u>211,899</u>	<u>250,546</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
Current tax:		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	(36,460)
	<u>-</u>	<u>(36,460)</u>
Deferred tax charge/(credit)	9,220	(344,022)
Total tax charge/(credit) on profit on ordinary activities	<u>9,220</u>	<u>(380,482)</u>

The differences between the total current tax shown above and the amount calculated, by applying the standard rate of UK corporation tax to the profit before tax, is as follows:

	2008 £	2007 £
Profit on ordinary activities before tax	548,655	222,370
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 28% (2007: 30%)	153,623	66,711
<i>Factors affecting charge for the year</i>		
Non deductible expenses	5,600	3,132
Non taxable revenue	-	(508)
Movement in short term timing differences	1,834	1,900
Marginal rate adjustment	-	(24,461)
Capital allowances in excess of depreciation	(37,220)	(39,456)
Group relief claimed	(123,837)	(7,318)
Adjustment in respect of prior periods	-	(36,460)
Total actual amount of current tax	<u>-</u>	<u>(36,460)</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

8. TANGIBLE FIXED ASSETS

	Heritable property £	Furniture & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 November 2007	24,500,000	3,154,685	60,858	27,715,543
Additions	8,280	122,283	-	130,563
Disposals	-	(111,281)	-	(111,281)
Revaluation	(1,958,280)	-	-	(1,958,280)
At 31 October 2008	<u>22,550,000</u>	<u>3,165,687</u>	<u>60,858</u>	<u>25,776,545</u>
Accumulated depreciation				
At 1 November 2007	-	1,936,514	54,239	1,990,753
Charge for the year	-	135,107	1,655	136,762
Disposals	-	(111,281)	-	(111,281)
At 31 October 2008	<u>-</u>	<u>1,960,340</u>	<u>55,894</u>	<u>2,016,234</u>
Net book value				
At 31 October 2008	<u>22,550,000</u>	<u>1,205,347</u>	<u>4,964</u>	<u>23,760,311</u>
At 31 October 2007	<u>24,500,000</u>	<u>1,218,171</u>	<u>6,619</u>	<u>25,724,790</u>

Hire purchase agreements

Included within the net book value of £23,760,311 is £37,563 (2007 - £50,084) 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 £12,521 (2007 - £16,874).

Heritable property

The directors have valued the heritable properties at the year end. Their valuation is supported by an independent valuation prepared in December 2008 by Colliers Robert Barry, 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 valuation report prepared by Colliers Robert Barry estimated the fair value of the heritable properties, including the fixtures and fittings within each property, to be £23,750,000. The directors have deducted the current carrying value of the fixtures and fittings from this valuation to arrive at the estimated fair value of the heritable property at the year end of £22,550,000.

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

	Heritable Property	
	2008	2007
	£	£
Cost	<u>7,532,385</u>	<u>7,524,105</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2008

9. INVESTMENTS

£

Blythwood Square Limited (formerly known as Belsco 1026 Limited)

Cost

At 1 November 2007 and at 31 October 2008

100

The company owns 100% of the issued share capital of Blythwood Square Limited (formerly known as Belsco 1026 Limited), a company incorporated in Scotland. The company will provide hotel management and catering services upon completion of the building development as detailed below.

Its net liabilities at 31 October 2008 were £78,082 (2007 – £25,872) and its loss for the period to 31 October 2008 was £52,210 (2007 - £28,837).

Blythwood Square 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 £27m (including the purchase of the building) and this will be funded by the company's bankers as detailed in the Directors Report on page 2. The amount contractually committed at the year end amounted to £4m.

10. STOCKS

	2008 £	2007 £
Food and liquor	35,969	32,347

11. DEBTORS

	2008 £	2007 £
Due within one year:		
Trade debtors	244,956	382,488
Other debtors	65,189	134,852
Prepayments and accrued income	116,685	38,812
	<u>426,830</u>	<u>556,152</u>
Due after more than one year:		
Amounts due from subsidiary undertaking	66,792	4,398
	<u>493,622</u>	<u>560,550</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Bank overdraft	370,628	497,274
Bank loans	407,700	407,700
Trade creditors	381,039	358,729
Other taxation and social security	269,196	300,757
Corporation tax	-	-
Hire purchase agreements	9,157	16,317
Other creditors	168,226	133,135
Director's loan account	147,744	150,000
Accruals and deferred income	138,851	229,269
	<u>1,892,541</u>	<u>2,093,181</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.

In the 2006/2007 financial year Mr P. Taylor, provided an interest free unsecured loan of £195,000 to the company. The balance due as at 31st October 2008 was £147,744 (2007: £150,000).

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

	2008 £	2007 £
Bank loans	2,072,385	2,480,085
Hire purchase agreements	-	11,152
	<u>2,072,385</u>	<u>2,491,237</u>

	2008 £	2007 £
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	441,585	849,289
	<u>2,480,085</u>	<u>2,887,789</u>
Included in creditors falling due within one year	(407,700)	(407,700)
	<u>2,072,385</u>	<u>2,480,089</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2008

14. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2008 £	2007 £
Amounts payable within 1 year	9,157	16,317
Amounts payable between 1 and 2 years	-	11,152
	<u>9,157</u>	<u>27,469</u>
Balance at 31 October 2008	<u>9,157</u>	<u>27,469</u>

15. PROVISION FOR LIABILITIES

The movement in the deferred taxation provision during the year was:

	2008 £	2007 £
Provision brought forward	331,510	675,532
Charge/(credit) for the year	9,220	(344,022)
	<u>340,730</u>	<u>331,510</u>
Provision carried forward	<u>340,730</u>	<u>331,510</u>

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

	2008 £	2007 £
Excess of taxation allowances over depreciation on fixed asset	352,462	341,408
Other timing differences	(11,732)	(9,898)
	<u>340,730</u>	<u>331,510</u>

16. RELATED PARTY TRANSACTIONS

In the 2006/2007 financial year Mr P. Taylor, provided an interest free unsecured loan of £195,000 to the company. The balance due as at 31st October 2008 was £147,744 (2007: £150,000).

During the year the company incurred costs of £23,005 (2007: - £nil) invoiced by Ezone Interactive LLP. Ezone Interactive LLP is owned by Mr Iain Taylor, a director of The Townhouse Company Limited.

The company is exempt from disclosing transaction with its subsidiary undertakings on the basis that 100% of the share capital is owned by the group.

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

17. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
5,000,000 ordinary shares of £0.1 each	<u>500,000</u>	<u>500,000</u>
Called up, allotted and fully paid		
1,000,000 ordinary shares of £0.1 each	<u>100,000</u>	<u>100,000</u>

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	16,975,895	14,700	4,317,414	21,408,009
Revaluation	-	(1,958,280)	-	-	(1,958,280)
Profit for the year	-	-	-	539,435	539,435
Balance carried forward	<u>100,000</u>	<u>15,017,615</u>	<u>14,700</u>	<u>4,856,849</u>	<u>19,989,164</u>

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

19. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	760,554	472,916
Depreciation charge	136,762	137,562
(Increase) / decrease in stock	(3,622)	4,070
Decrease / (increase) in debtors	66,928	(127,236)
Decrease in creditors	(64,578)	(66,102)
Net cash inflow from operating activities	896,044	421,210

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2008 £	2007 £
Interest paid	(211,899)	(245,129)
Interest element of hire purchase	-	(5,417)
Net cash outflow from returns on investments and servicing of finance	(211,899)	(250,546)

CAPITAL EXPENDITURE

	2008 £	2007 £
Payments to acquire tangible fixed assets	(130,563)	(169,846)
Net cash outflow from capital expenditure	(130,563)	(169,846)

FINANCING

	2008 £	2007 £
Repayment of bank loans	(407,700)	(407,700)
Director's loan account	(2,256)	150,000
Repayment of hire purchase agreements	(18,312)	(18,405)
Net cash outflow from financing	(428,268)	(276,105)

THE TOWN HOUSE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2008

19. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2008 £	2007 £
Increase/ (decrease) in cash in the period	125,314	(288,076)
Net cash outflow from bank loans	407,700	407,700
Net cash outflow / (inflow) from director's loan	2,256	(150,000)
Net cash outflow in respect of hire purchase	18,312	18,405
Change in net debt arising from cash flows	553,582	(11,971)
Net debt at 1 November 2007	(3,556,378)	(3,544,407)
Net debt at 31 October 2008	(3,002,796)	(3,556,378)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Nov 2007 £	Cash flows £	Non-cash flow changes £	At 31 October 2008 £
Cash at bank and in hand	6,150	(1,332)	-	4,818
Bank overdraft	(497,274)	126,646	-	(370,628)
	(491,124)	125,314	-	(365,810)
Debt due within 1 year	(407,700)	407,700	(407,700)	(407,700)
Director's loan account	(150,000)	2,256	-	(147,744)
Debt due after more than one year	(2,480,085)	-	407,700	(2,072,385)
Hire purchase agreements	(27,469)	18,312	-	(9,157)
	(3,065,254)	428,268	-	(2,636,986)
Net debt	(3,556,378)	553,582	-	(3,002,796)

20. PENSIONS

During the year the company paid contributions into the company defined contribution pension scheme amounting to £37,910 (2007 – £30,498) and a private defined contribution pension scheme of £1,050 (2007 – £415,020) as detailed in notes 4 and 5. There were no amounts outstanding or prepaid at either year end.

21. CAPITAL COMMITMENTS

The directors have confirmed that there were no capital commitments at 31 October 2008 (2007: £nil).

22. CONTROLLING PARTY

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