

**Company Registration No. SC118669**

**THE TOWN HOUSE COMPANY LIMITED**

**Report and financial statements**

**Year ended 31 October 2011**



# **THE TOWN HOUSE COMPANY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

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# **THE TOWN HOUSE COMPANY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Peter J Taylor  
Mhairi J Taylor  
Hamish J Taylor  
Iain P Taylor  
Hans Rissmann  
Graeme Bissett  
Russell J Hynd

#### **SECRETARY**

Russell J Hynd

#### **REGISTERED OFFICE**

35 Drumsheugh Gardens  
Edinburgh  
EH3 7RN

#### **BANKERS**

Bank of Scotland  
38 St. Andrew Square  
Edinburgh  
EH2 2YR

#### **SOLICITORS**

Turcan Connell  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9EE

McGrigors LLP  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

#### **INDEPENDENT AUDITOR**

Deloitte LLP  
Edinburgh, United Kingdom

# THE TOWN HOUSE COMPANY LIMITED

## GROUP CHAIRMAN'S STATEMENT

The following statement provides a summary of the business highlights relevant to the Group and is not, therefore, specific to this subsidiary undertaking:

I am pleased to present the financial statements of The Town House Collection Holdings Limited, which comprise the trading results for the Blythswood Square hotel and the Bonham hotel (together the "Group") for the financial year ended 31 October 2011. In a challenging market, we are delighted to have two such attractive city centre hotels in our portfolio. The Blythswood Square fully opened in September 2010 and has continued to establish itself as Glasgow's premier hotel and spa, winning a range of awards during 2011 including Scottish AA hotel of the year, the Spa Traveller best UK spa of the year and the Style Awards most stylish hotel. The Blythswood Square hotel remains the only hotel ever to achieve an AA five star status within the city of Glasgow. The financial performance of the hotel has been excellent throughout its first year of full opening, exceeding our expectations. 92% of our guests have reviewed Blythswood Square as excellent or good and the hotel remains highly rated on consumer review websites. The Bonham hotel in Edinburgh continues to trade well and will further benefit from the recent addition of a bar, refurbished restaurant, events room and guest areas.

Turnover from continuing operations for the Group increased 56% to £9.0m for the year to October 2011 with a £1.6m increase in the underlying operating profit from those operations to £1.4m, excluding exceptional costs. I am confident that the underlying operating profit will continue to improve during 2012 and in subsequent years as the Blythswood Square hotel builds up to its full trading potential.

The Group's bank borrowing increased significantly over the period of construction of the Blythswood Square hotel and we took the view in 2010 that this would be addressed by the sale of three of the Group's smaller and more mature hotels in Edinburgh - Channings, The Howard and The Edinburgh Residence, allowing the Group to focus its strategy around its two larger hotels. The sale transactions were concluded in late 2010 and the financial statements reflect their disposal in the period to 31 October 2011 under the headings of discontinued operations. The Group has submitted a substantial insurance claim in respect of the wall collapse which caused the delayed opening and excess construction cost of the Blythswood Square hotel and we await a response from the insurers. Certain costs continue to be incurred and will be subject to further insurance claims in due course.

In May 2011 we agreed medium to long term bank facilities with the Group's bankers, Lloyds Banking Group (the "Bank"), which provide a stable platform from which to develop our business through The Bonham and Blythswood Square. The agreement with our bankers brought to an end a long period of financial uncertainty and I should like to place on record the Group's thanks to the Bank for their valued support.

Moving forward the challenges for the Group remain the continued delivery of a high standard of service and to maximise the trading potential of both hotels in the current difficult economic climate. The signs are good. The Group is now focused around two of Scotland's best hotels and we move forward into 2012 with well-founded optimism.

I would like to personally thank the employees of The Town House Collection and all of our stakeholders for their continued support over the past year as I look forward to an exciting future for the Group.



Peter Taylor  
Chairman  
31 January 2012

# **THE TOWN HOUSE COMPANY LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report, together with the financial statements and auditor's report, for the year ended 31 October 2011.

## **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company is a wholly owned subsidiary of The Town House Collection Holdings Limited. The company, along with its fellow subsidiary, Blythswood Square Limited and its parent company forms the "Group".

The principal activity of the company is hotel management and catering.

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.

The main activity during the year comprised the trading of the Bonham Hotel in Edinburgh. At the start of the year the company sold three of its smaller and more mature hotels in Edinburgh - Channings, The Howard and The Edinburgh Residence.

The Bonham Hotel continues to trade well. Turnover derived from continuing operations during the year of £2,172,501 (2010: £2,131,418) was coupled with a 16% increase in the underlying operating profit (before exceptional items) to £440,191 (2010: £378,651). Exceptional costs of £243,136 (2010: £nil) were incurred during the period, attributable to the disposal of the hotels and subsequent restructuring.

## **RISK MANAGEMENT**

The risks facing the company are more relevant when put in the context of the Group as a whole. In common with most businesses, the Group, in the context of its principal trading activity, goes to considerable lengths to ensure that the major risks faced by the Group are identified, evaluated, and where possible, well managed and controlled.

The Group is privately owned with the principal shareholder working full time within the business. The Board meets on a regular basis to discuss key issues affecting the Group. The day to day management of the Group 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 Group is reviewed at least once a year by the Board.

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

Following the opening of the Blythswood Square Hotel in 2009, the Group 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 Group has an interest rate hedging strategy whereby an interest rate cap and collar was entered into to hedge against the risk of movements in LIBOR.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group'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 Group has no concentration of credit risk, with exposure spread over a large number of customers.

The Board of the Group retains overall responsibility for the Group'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 enable it to meet its responsibility for the integrity and accuracy of the company's accounting records.

# THE TOWN HOUSE COMPANY LIMITED

## DIRECTORS' REPORT (Continued)

### GOING CONCERN

The Town House Collection Holdings Limited has in place lending facilities of which the company is a guarantor.

At the beginning of the year, the Group (and company) divested three of its mature Edinburgh hotels as part of a revised strategy for the Group centred on its principal hotels in Edinburgh and Glasgow. These transactions resulted in a *significant reduction in the Group's debt*.

On 17 May 2011, the Group agreed new medium to long term facilities with its lenders.

The Directors have prepared Group forecasts and projections, taking account of reasonably possible changes in trading performance. These forecasts show that the Group should be able to operate within the level of its current funding levels and associated financial covenants, up to January 2013.

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.

### INVESTMENT DISTRIBUTION AND DIVIDENDS

Following the transfer of the company's investment in Blythswood Square Limited to its parent company, a distribution of £100 has been made in the current year (2010 - £nil). No cash dividends have been declared or paid during the year and the profit for the financial year of £447,620 (2010 - £651,126) has been transferred to reserves.

### DIRECTORS

The directors who served during the year, and up to the date of this report, are as follows:

Peter J Taylor  
Mhairi J Taylor  
Hamish J Taylor  
Iain P Taylor  
Hans Rissmann  
Douglas Brotherston (resigned 28 June 2011)  
Graeme Bissett (appointed 29 September 2011)  
Russell J Hynd (appointed 25 July 2011)

### DIRECTORS' INDEMNITIES

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

# THE TOWN HOUSE COMPANY LIMITED

## DIRECTORS' REPORT (Continued)

### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be re-appointed for another term and appropriate arrangements have been put in place for them to be deemed re-appointed as auditor in the absence of an Annual General Meeting.

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



Peter J Taylor  
Director

31 January 2012

# **THE TOWN HOUSE COMPANY LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TOWN HOUSE COMPANY LIMITED**

We have audited the financial statements of The Town House Company Limited for the year ended 31 October 2011, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE TOWN HOUSE COMPANY LIMITED (Continued)**

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

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

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



Michael McGregor ACA (Senior Statutory Auditor)

**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Edinburgh, United Kingdom

31 January 2012

# THE TOWN HOUSE COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 October 2011

	Note	Before exceptional items 2011 £	Exceptional items 2011 £	Total 2011 £	Total 2010 £
<b>TURNOVER</b>					
Continuing operations		2,172,501	-	2,172,501	2,131,418
Discontinued operations		421,431	-	421,431	2,930,506
Total turnover	2	2,593,932	-	2,593,932	5,061,924
Cost of sales					
Continuing operations		(1,043,241)	-	(1,043,241)	(724,872)
Discontinued operations		(281,523)	-	(281,523)	(1,303,780)
Total cost of sales		(1,324,764)	-	(1,324,764)	(2,028,652)
<b>Gross profit</b>		1,269,168	-	1,269,168	3,033,272
Administrative expenses					
Continuing operations		(689,069)	-	(689,069)	(1,027,895)
Exceptional administration expenses	5	-	(13,830)	(13,830)	-
Discontinued operations		(165,910)	-	(165,910)	(1,280,715)
Total administrative expenses		(854,979)	(13,830)	(868,809)	(2,308,610)
<b>OPERATING PROFIT</b>	5				
Continuing operations		440,191	(13,830)	426,361	378,651
Discontinued operations		(26,002)	-	(26,002)	346,011
Total operating profit		414,189	(13,830)	400,359	724,662
Interest payable and similar charges	6	(19,769)	-	(19,769)	(87,649)
Loss on sale of tangible fixed assets of discontinued operations	8	-	(57,213)	(57,213)	-
Costs of fundamental restructuring resulting in discontinued operations	8	-	(172,093)	(172,093)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		394,420	(243,136)	151,284	637,013
Tax on profit on ordinary activities	7	296,336	-	296,336	14,113
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18, 19	690,756	(243,136)	447,620	651,126

The statement of movements on reserves is shown in note 18 to the financial statements.

# THE TOWN HOUSE COMPANY LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 October 2011

	Before exceptional items 2011 £	Exceptional items 2011 £	Total 2011 £	Total 2010 £
Profit for the financial year	690,756	(243,136)	447,620	651,126
Revaluation of heritable property	521,161	-	521,161	-
<b>Total recognised gains related to the year</b>	<b>1,211,917</b>	<b>(243,136)</b>	<b>968,781</b>	<b>651,126</b>

# THE TOWN HOUSE COMPANY LIMITED

## BALANCE SHEET 31 October 2011

	Note	2011 £	2010 £
<b>FIXED ASSETS</b>			
Tangible assets	9	7,015,000	16,098,886
Investments	10	-	100
		<u>7,015,000</u>	<u>16,098,986</u>
<b>CURRENT ASSETS</b>			
Stocks	11	24,612	47,511
Debtors	12	7,667,196	435,481
Cash at bank and in hand		652,603	245,874
		<u>8,344,411</u>	<u>728,866</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(544,670)</u>	<u>(1,350,686)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>7,799,741</u>	<u>(621,820)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>14,814,741</u>	<u>15,477,166</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	-	(1,334,770)
<b>PROVISIONS FOR LIABILITIES</b>	16	<u>(37,409)</u>	<u>(333,745)</u>
<b>NET ASSETS</b>		<u><u>14,777,332</u></u>	<u><u>13,808,651</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	100,000	100,000
Revaluation reserve	18	3,770,958	7,396,522
Other reserves	18	14,700	14,700
Profit and loss account	18	10,891,674	6,297,429
<b>SHAREHOLDERS' FUNDS</b>	19	<u><u>14,777,332</u></u>	<u><u>13,808,651</u></u>

The financial statements of The Town House Company Limited (registered number SC118669) were approved by the Board of Directors and authorised for issue on 31 January 2012.

They were signed on its behalf by:



Peter J Taylor  
Director

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

#### Going concern

The company's business activities, together with the factors likely to affect its future prospects, are discussed in the directors' report on pages three and four. After making enquiries, the directors have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future following the renewal of the Group's banking facilities as disclosed in the directors' report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### Cash flow statement

The company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised) from preparing a cash flow statement on the grounds of it being a wholly owned subsidiary of the Town House Collection Holdings Limited whose financial statements include the company's results and are available to the public.

#### Fixed assets

The company has adopted a valuation policy for heritable property. Heritable property is valued on an existing use basis. 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.

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 2006. 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 & equipment	10% per annum straight line
Motor vehicles	25 % per annum reducing balance

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2011

### 1 ACCOUNTING POLICIES (continued)

#### Exceptional items

Exceptional items comprise costs associated with the restructuring undertaken associated with the disposal of 3 hotels. The directors consider such items as material to the profit and loss account and that their separate disclosure is necessary for an appropriate understanding of the company's performance.

#### Stocks

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

#### Investments

Investments are recorded at cost less any provision made for impairment.

#### Taxation

Current tax, comprising UK corporation tax, is provided at amounts expected to be paid 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 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.

#### 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 which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover, which arises in the United Kingdom, is attributable to the company's principal activity.

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 3 DISCONTINUED OPERATIONS

	2011 £	2010 £
Turnover	421,431	2,930,506
Cost of sales	(281,523)	(1,303,780)
Gross profit	139,908	1,626,726
Administration expenses	(165,910)	(1,280,715)
Operating (loss)/profit	(26,002)	346,011

Discontinued operations relate to the sale of the 3 Edinburgh hotels at the beginning of the current financial year.

### 4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011 £	2010 £
<b>Directors' remuneration</b>		
Emoluments (excluding pension contributions)	89,185	5,170
Company contributions to money purchase and similar pension schemes in respect of directors' services	12,354	6,773

	2011 No.	2010 No.
<b>The number of directors who:</b>		
▪ are members of a money purchase pension scheme	3	1

	2011 No.	2010 No.
<b>Average number of persons employed</b>		
Total	59	133



# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2011 £	2010 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	962,327	1,766,464
Social security costs	77,285	146,059
Pension costs	28,870	28,839
	<u>1,068,482</u>	<u>1,941,362</u>

### 5 OPERATING PROFIT

	2011 £	2010 £
<b>Operating profit is after charging:</b>		
Depreciation	57,431	123,660
Exceptional legal and professional fees	13,830	-
Fees payable to the company's auditor for the audit of the company's financial statements	<u>8,250</u>	<u>10,500</u>

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
Bank loans and overdrafts	<u>19,769</u>	<u>87,649</u>

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

<b>Tax credit for the year</b>		
	2011 £	2010 £
<i>Current taxation</i>		
United Kingdom corporation tax	-	-
<i>Deferred taxation</i>		
Timing differences, origination and reversal	(296,336)	(14,113)
Tax on profit on ordinary activities	<u>(296,336)</u>	<u>(14,113)</u>

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 26.8% (2010 - 28%). The actual tax charge differs from the standard rate for the reasons set out in the following tax reconciliation:

#### Reconciliation of current tax

	2011 £	2010 £
Profit on ordinary activities before taxation	151,284	637,013
Tax on profit on ordinary activities at standard rate	40,544	178,364
<i>Factors affecting charge for the year:</i>		
Non-taxable revenue	-	(9,127)
Movement in short-term timing differences	-	(409)
Tax rate adjustment	-	(12,360)
Capital allowances in excess of depreciation	109,201	14,521
Difference between tax and accounting base of assets disposed of	563,853	-
Group relief claimed for nil consideration	(713,598)	(170,989)
Total actual amount of current tax	-	-

#### Analysis of deferred tax balances

	Provided 2011 £	Provided/ (recognised) 2010 £
Other timing differences	37,409	(11,029)
Excess of taxation allowances over depreciation	-	344,774
	37,409	333,745

#### Analysis of movement in deferred tax provision

	Deferred taxation £
Balance at 1 November 2010 (note 16)	333,745
Credited to the profit and loss account	(296,336)
Balance at 31 October 2011 (note 16)	37,409

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 8 EXCEPTIONAL ITEMS

	2011 £	2010 £
Loss on sale of tangible fixed assets of discontinued operations	57,213	-
Costs of fundamental restructuring resulting in discontinued operations	172,093	-
	<u>229,306</u>	<u>-</u>

These costs are associated with the disposal of 3 hotels in the Edinburgh market.

### 9 TANGIBLE FIXED ASSETS

	Heritable property £	Furniture & equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 November 2010	15,065,144	3,227,857	60,858	18,353,859
Additions in year	3,023	45,249	-	48,272
Disposals in year	(8,723,964)	(2,699,882)	(60,858)	(11,484,704)
Adjustment on revaluation	521,161	-	-	521,161
	<u>6,865,364</u>	<u>573,224</u>	<u>-</u>	<u>7,438,588</u>
At 31 October 2011				
<b>Accumulated depreciation</b>				
At 1 November 2010	-	2,196,940	58,033	2,254,973
Charge in year	-	57,431	-	57,431
Disposals in year	-	(1,830,783)	(58,033)	(1,888,816)
	<u>-</u>	<u>423,588</u>	<u>-</u>	<u>423,588</u>
At 31 October 2011				
<b>Net book value</b>				
At 31 October 2011	<u>6,865,364</u>	<u>149,636</u>	<u>-</u>	<u>7,015,000</u>
At 31 October 2010	<u>15,065,144</u>	<u>1,030,917</u>	<u>2,825</u>	<u>16,098,886</u>

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 9 TANGIBLE FIXED ASSETS (continued)

	Heritable property £	Furniture & equipment £	Motor vehicles £	Total £
<b>Comparable amounts determined according to the Historical cost convention</b>				
Cost	3,094,406	573,224	-	3,667,630
Accumulated depreciation	-	(423,588)	-	(423,588)
<b>Net book value</b>				
At 31 October 2011	3,094,406	149,636	-	3,244,042
At 31 October 2010	7,668,622	1,030,917	2,825	8,702,364

The directors valued The Bonham at the year end with reference to an external valuation performed by Colliers, (Qualified in accordance with Practice Statement 1 of RICS valuation standards) dated January 2012.

The property is not depreciated. It is not possible to quantify the depreciation that would have otherwise been charged under the historical cost convention.

### 10 INVESTMENTS HELD AS FIXED ASSETS

	<b>Blythswood Square Limited £</b>
<b>Cost or valuation</b>	
At 1 November 2010	100
Disposals in year	(100)
At 31 October 2011	-

During the current year, the company transferred via a distribution, its interest in the issued share capital of Blythswood Square Limited to the newly incorporated parent company, The Town House Collection Holdings Limited.

### 11 STOCKS

	<b>2011 £</b>	<b>2010 £</b>
Food, beverages and consumables	24,612	47,511

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 12 DEBTORS

	2011 £	2010 £
Trade debtors	44,708	153,465
Amounts due from group undertakings	7,507,993	98,677
Other debtors	48,035	41,691
Prepayments and accrued income	66,460	141,648
	<u>7,667,196</u>	<u>435,481</u>

Amounts totalling £7,507,993 (2010 : £98,677) due from group undertakings are considered to be recoverable after one year.

### 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Bank overdraft (note 15)	-	421,500
Trade creditors	217,495	346,701
Directors' current accounts	-	14,771
Other taxes and social security	160,024	252,357
Other creditors	46,305	142,804
Accruals and deferred income	120,846	172,553
	<u>544,670</u>	<u>1,350,686</u>

### 14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Bank loans (note 15)	<u>-</u>	<u>1,334,770</u>

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 15 BORROWINGS

	2011 £	2010 £
Bank loans and overdrafts	-	1,756,270
The maturity of the above amounts is as follows:		
In one year or less, or on demand	-	421,500
In more than one year but not more than two years	-	421,500
In more than two years but not more than five years	-	913,270
	-	1,756,270

Following the disposal of 3 hotels at the start of the year, the company's debt was repaid in full during the year.

### 16 PROVISIONS FOR LIABILITIES

	2011 £	2010 £
Deferred taxation (note 7)	37,409	333,745

### 17 CALLED UP SHARE CAPITAL

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
1,000,000 Ordinary shares of 10p each	100,000	100,000

# THE TOWN HOUSE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2011

### 18 STATEMENT OF MOVEMENTS ON RESERVES

	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £
At 1 November 2010	7,396,522	14,700	6,297,429	13,708,651
Profit for the financial year	-	-	447,620	447,620
Distribution (note 10)	-	-	(100)	(100)
Realised gain on disposal of heritable property	(4,146,725)	-	4,146,725	-
Revaluation of heritable property	521,161	-	-	521,161
At 31 October 2011	<u>3,770,958</u>	<u>14,700</u>	<u>10,891,674</u>	<u>14,677,332</u>

### 19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	447,620	651,126
Distribution (note 10)	(100)	-
	<u>447,520</u>	<u>651,126</u>
Other recognised gains relating to the year	521,161	-
Net addition to shareholder's funds	<u>968,681</u>	<u>651,126</u>
Opening shareholders' funds	13,808,651	13,157,525
Closing shareholders' funds	<u>14,777,332</u>	<u>13,808,651</u>

### 20 CAPITAL COMMITMENTS

	2011 £	2010 £
Contracted for but not provided	<u>24,083</u>	<u>-</u>

The above amounts relate to a bar construction of £10,383 and hotel upgrades of £13,700.

# **THE TOWN HOUSE COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 October 2011**

### **21 PENSION SCHEMES**

During the year the company paid contributions into the company's defined contribution pension scheme amounting to £28,870 (2010 : £28,839) as detailed in notes 4 and 5. There were no amounts outstanding or prepaid at either year end.

### **22 CONTROLLING PARTY**

The results of this company are consolidated into the financial statements of The Town House Collection Holdings Limited, a company incorporated in Scotland, which is the ultimate parent company. The registered office of The Town House Collection Holdings Limited is 35 Drumsheugh Gardens, Edinburgh.

The ultimate controlling party is Peter J Taylor.

### **23 RELATED PARTY TRANSACTIONS**

During the year the company incurred costs of £28,583 (2010 : £16,800) invoiced by Ezone Interactive LLP. Ezone Interactive LLP is owned by Mr Iain Taylor, a director of The Town House Company Limited. As at 31 October £456 was owed to this related party (2010 : £2,008 credit due from related party).