

**Company Registration No. SC118669**

**The Town House Company Limited**

**Report and Financial Statements**

**31 October 2012**

MONDAY



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# **The Town House Company Limited**

## **Report and financial statements 2012**

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# **The Town House Company Limited**

## **Report and financial statements 2012**

### **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**

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

#### **Bankers**

Bank of Scotland  
38 St Andrew Square  
Edinburgh  
EH2 2YR

#### **Solicitors**

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

Pinsent Masons LLP  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

#### **Auditor**

Deloitte LLP  
Edinburgh

# **The Town House Company Limited**

## **Report and financial statements 2012**

### **Chairman's statement**

The Town House Company Limited ("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 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 report the trading results for the Blythswood Square hotel and The Bonham hotel for the financial year ended 31 October 2012. 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 2012 including the Best Hotel at the Scottish Thistle Awards. The financial performance of the hotel has been excellent throughout its second year of full opening, and in line with our expectations. 93% 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 in a competitive market and was once again awarded Best Boutique Hotel at the Scottish Thistle Awards.

Turnover from continuing operations for the Group increased 12% (£1.1m) to £10.1m for the year to October 2012 with a 27% (£0.4m) increase in the underlying operating profit to £1.8m from continuing operations, excluding exceptional costs of £0.2m (2011: £0.3m). I am confident that the underlying operating profit will continue to improve during 2013 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. The Group has submitted a substantial claim in respect of a wall collapse which caused the delayed opening and excess construction cost of the Blythswood Square hotel. Certain costs continue to be incurred and these will form part of the claim.

In May 2011 we agreed bank facilities with the Group's bankers, Lloyds Banking Group, which have recently been further extended and which provide a stable platform from which to develop our business through The Bonham and Blythswood Square. I should like to place on record the Group's continued thanks to the Bank for their valued support.

Moving forward the challenges for the Group remain the continued delivery of the highest level of service and to maximise the trading potential of both hotels in the current difficult economic climate. The signs are good. Our reputation, level of service and market penetration have enabled both hotels to maintain their positions of leading boutique hotel brands. Innovation firmly remains at the forefront of the Group's operational strategy, which when coupled with our strong management capability, I believe will create exciting opportunities for the Group. We move forward into 2013 with well-founded optimism.

I would like to personally thank the employees of the Group 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 May 2013

# **The Town House Company Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 October 2012.

### **Activities**

The principal activity of the Company is hotel management. 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".

### **Review of business and future developments**

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.

The Bonham hotel continues to trade well in a competitive market. Turnover derived from continuing operations during the year increased to £2,413,854 (2011: £2,172,501) with profit before tax has increased to £337,683 (2011: £151,284). This movement reflects a loss on sale of fixed assets totalling £57,213 and the costs of fundamental restructuring totalling £172,093 which were incurred in the prior year, offset in the current year by increased exceptional and legal professional fees of £91,240 (2011: £13,830).

### **Risk management**

The risks facing the Company are more relevant when put in the context of the Group as a whole. 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 direction 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 on investment in people, premises and product offering 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, held within this company. The Group and company has executed a hedge against the risk of movements in LIBOR.

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 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 Group has in place lending facilities, held within this company, which extend for at least twelve months from the date of signing of these accounts.

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 as agreed with its bank, for the foreseeable future.

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.

### **Dividends**

No cash dividends have been declared or paid during the year and the profit for the financial year of £346,780 (2011: £447,620) has been transferred to reserves.

### **Directors**

The directors who served during the year, and up to the date of this report, are listed on page 1.

### **Directors' indemnities**

The company 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.

### **Independent 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 he/she ought to have taken as a director in order to make himself/herself 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 expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



Peter Taylor  
Director

31 May 2013

# **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 judgments and accounting 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 2012, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 25. 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 on 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 2012 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.

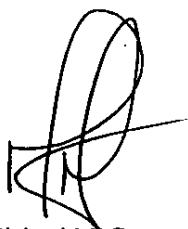


## **Independent auditor's report to the members of The Town House Company Limited (continued)**

### **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 May 2013

# The Town House Company Limited

## Profit and loss account Year ended 31 October 2012

	Notes	2012 £	Restated (Note 25) 2011 £
<b>Turnover</b>			
Continuing operations		2,413,854	2,172,501
Discontinued operations	3	-	421,431
Total turnover	2	2,413,854	2,593,932
<b>Cost of sales</b>			
Continuing operations		(1,107,785)	(1,043,241)
Discontinued operations	3	-	(281,523)
Total cost of sales		(1,107,785)	(1,324,764)
<b>Gross Profit</b>		1,306,069	1,269,168
Administrative expenses			
Non exceptional administration expenses		(877,146)	(689,069)
Exceptional administration expenses	5	(91,240)	(13,830)
Total administration expenses from continuing operations		(968,386)	(702,899)
Discontinued operations		-	(165,910)
Total administrative expenses		(968,386)	(868,809)
<b>Operating profit</b>			
Continuing operations	5	337,683	426,361
Discontinued operations	3	-	(26,002)
Total operating profit		337,683	400,359
Interest payable and similar charges	6	(1,892,406)	(1,088,046)
Interest receivable on group borrowings	7	1,892,406	1,068,277
Loss on sale of tangible fixed assets of discontinued operations		-	(57,213)
Costs of fundamental restructuring resulting in discontinued operations		-	(172,093)
<b>Profit on ordinary activities before taxation</b>		337,683	151,284
Tax on profit on ordinary activities	8	9,097	296,336
<b>Profit for the financial year</b>	19, 20	346,780	447,620

The statement of movements on reserves is shown in note 19 to the financial statements.

## **The Town House Company Limited**

### **Statement of total recognised gains and losses Year ended 31 October 2012**

	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
Profit for the financial year	346,780	447,620
Revaluation of heritable property	-	521,161
<b>Total recognised gains related to the year</b>	<u><u>346,780</u></u>	<u><u>968,781</u></u>

# The Town House Company Limited

## Balance sheet 31 October 2012

	Notes	2012 £	Restated (Note 25) 2011 £
<b>Fixed assets</b>			
Tangible fixed assets	10	7,007,690	7,015,000
<b>Current assets</b>			
Stocks	12	22,100	24,612
Debtors			
- amounts due within one year	13	11,052,055	779,203
- amounts due after more than one year	13	24,916,709	34,904,040
Cash at bank and in hand		810,232	652,603
		36,801,096	36,360,458
<b>Creditors: amounts falling due within one year</b>	14	(11,363,362)	(1,164,670)
<b>Net current assets</b>		25,437,734	35,195,788
<b>Total assets less current liabilities</b>		32,445,424	42,210,788
<b>Creditors: amounts falling due after more than one year</b>	15	(17,293,000)	(27,396,047)
<b>Provisions for liabilities</b>	17	(28,312)	(37,409)
<b>Net assets</b>		15,124,112	14,777,332
<b>Capital and reserves</b>			
Called up share capital	18	100,000	100,000
Revaluation reserve	19	3,770,958	3,770,958
Other reserves	19	14,700	14,700
Profit and loss account	19	11,238,454	10,891,674
<b>Shareholders' funds</b>	20	15,124,112	14,777,332

The financial statements of The Town House Company Limited, registered number SC118669 were approved by the Board of Directors and authorised for issued on 31 May 2013.

Signed on behalf of the Board of Directors



Peter Taylor  
Director

# **The Town House Company Limited**

## **Notes to the financial statements** **Year ended 31 October 2012**

### **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 heritable property, 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 including bank facilities which extend for at least a year from the date of signing these accounts. 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. This assessment is determined by a value in use assessment based on future cash flows consequential from the continued ownership of this asset. If this assessment indicates a higher valuation, the deficit is not determined to be a clear consumption of economic benefits. 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 and equipment	10% per annum straight-line
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# **The Town House Company Limited**

## **Notes to the financial statements Year ended 31 October 2012**

### **1. Accounting policies (continued)**

#### **Financial instruments**

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as 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.

#### **Financial costs**

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

#### **Financial derivatives**

The company uses derivative financial instruments to reduce exposure to interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes. No asset or liability is recognised in relation to these instruments.

#### **Exceptional items**

Exceptional items in the prior year 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.

## The Town House Company Limited

### Notes to the financial statements Year ended 31 October 2012

#### 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.

#### 3. Discontinued operations

	2012 £	2011 £
Turnover	-	421,431
Cost of sales	-	(281,523)
Gross profit	-	139,908
Administration expenses	-	(165,910)
Operating loss	-	(26,002)

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

# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 4. Information regarding directors and employees

	2012 £	2011 £
<b>Directors' remuneration</b>		
Emoluments (excluding pension contributions)	142,974	89,185
Company contributions to money purchase and similar pension schemes in respect of directors' services	11,209	12,354
	<u>2012</u> No.	<u>2011</u> No.
<b>The number of directors who:</b>		
– are members of a money purchase pension scheme	3	3
<b>Average number of persons employed</b>		
Operations	53	59

	2012 £	2011 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	880,313	962,327
Social security costs	71,045	77,285
Pension costs	20,922	28,870
	<u>972,280</u>	<u>1,068,482</u>

### 5. Operating profit

	2012 £	2011 £
Operating profit after charging:		
Depreciation	55,633	57,431
Exceptional legal and professional fees	91,240	13,830
Fees payable to the company's auditor for the audit of the company's financial statements	8,250	8,250



# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 6. Interest payable and similar charges

	2012	Restated (Note 25) 2011
	£	£
Interest payable and similar charges	<u>1,892,406</u>	<u>1,088,046</u>

As a result of the Group refinancing in May 2011, all borrowings related to the development of the Blythswood Square Hotel were legally assigned to The Town House Company Limited, to establish one borrower within the Group. As these borrowings relate solely to the development of the fellow subsidiary's hotel, the interest is charged on the group loan at the same rate to Blythswood Square Limited (note 7). The comparatives have been restated to reflect this intra Group assignment, resulting in an increase in 2011 interest payable of £1,068,277 and a corresponding interest receivable amount (note 25). The net impact on the profit and loss account was £nil.

The directors are of the opinion that interest and related charges incurred during the year totalling £1,309,175 (2011: £1,151,935) are a direct consequence of the extended financing required as a result of the wall collapse at the Blythswood Square Hotel as discussed in the Chairman's Statement.

### 7. Interest receivable on group borrowings

	2012	Restated (Note 25) 2011
	£	£
Interest receivable on group borrowings (note 16)	<u>1,892,406</u>	<u>1,068,277</u>

### 8. Tax on profit on ordinary activities

#### Tax credit for the year

	2012	2011
	£	£
<i>Current taxation</i>		
United Kingdom corporation tax	-	-
<i>Deferred taxation</i>		
Timing differences, origination and reversal	<u>(9,097)</u>	<u>(296,336)</u>
Tax on profit on ordinary activities	<u>(9,097)</u>	<u>(296,336)</u>

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 24.83% (2011: 26.8%). The actual tax charge differs from the standard rate for the reasons set out in the following tax reconciliation:

# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 8. Tax on profit on ordinary activities (continued)

#### Reconciliation of current tax

	2012 £	2011 £
Profit on ordinary activities before taxation	337,683	151,284
Tax on profit on ordinary activities at standard rate	83,847	40,544
<i>Factors affecting charge for the year:</i>		
Non-deductible expenses	1,614	-
Movement in short-term timing differences	(8,908)	-
Depreciation in excess of capital allowances	4,372	109,201
Difference between tax and accounting base of assets disposed of	-	563,853
Group relief claimed for nil consideration	(80,925)	(713,598)
Total actual amount of current tax	-	-

#### Analysis of deferred tax balances

	2012 £	2011 £
Excess of taxation allowances over depreciation	28,312	37,409
	28,312	37,409

#### Analysis of movement in deferred tax provision

	Deferred taxation £
Balance at 1 November 2011 (note 17)	37,409
Credited to the profit and loss account	(9,097)
Balance at 31 October 2012 (note 17)	28,312

### 9. Exceptional items

	2012 £	2011 £
Loss on sale of tangible fixed assets of discontinued operations	-	57,213
Costs of fundamental restructuring resulting in discontinued operations	-	172,093
	-	229,306

These costs are associated with the disposal of 3 hotels in the Edinburgh market that occurred in the prior year.

# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 10. Tangible fixed assets

	Heritable property £	Furniture and equipment £	Total £
<b>Cost or valuation</b>			
At 1 November 2011	6,865,364	573,224	7,438,588
Additions	19,231	29,092	48,323
At 31 October 2012	6,884,595	602,316	7,486,911
<b>Accumulated depreciation</b>			
At 1 November 2011	-	423,588	423,588
Charge for the year	-	55,633	55,633
At 31 October 2012	-	479,221	479,221
<b>Net book value</b>			
At 31 October 2012	6,884,595	123,095	7,007,690
At 31 October 2011	6,865,364	149,636	7,015,000

#### Comparable amounts determined according historical cost convention

	Heritable property £	Furniture and equipment £	Total £
<b>Cost</b>	3,113,637	602,316	3,715,953
Accumulated depreciation	-	479,221	479,221
<b>Net book value</b>			
At 1 November 2011	3,094,406	149,636	3,244,042
At 31 October 2012	3,113,637	123,095	3,236,732

The directors valued the heritable property of the The Bonham at the year end referenced to an external valuation performed by Colliers, (Qualified in accordance with Practice Statement 1 of RICS valuation standards) dated February 2013, totalling £7,000,000 (including fixtures and fittings).

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

### 11. Investments

During the prior year, the company transferred via a distribution, its interest in the issued share capital of Blythwood Square Limited to the newly incorporated parent company, The Town House Collection Holdings Limited, resulting in a distribution of £100.

# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 12. Stocks

	2012 £	2011 £
Food, beverages and consumables	22,100	24,612

### 13. Debtors

	2012 £	Restated (Note 25) 2011 £
Trade debtors	31,526	44,708
Amounts due from group undertakings	10,925,081	620,000
Other debtors	27,759	48,035
Prepayments and accrued income	67,689	66,460
Amounts due within one year	11,052,055	779,203
Amounts due from group undertakings after more than one year	24,916,709	34,904,040
	35,968,764	35,683,243

Amounts totalling £24,916,709 (2011: £34,904,040) due from group undertakings are considered to be recoverable after more than one year. £17,000,000 is considered due in line with the loan repayments relating to original Blythwood Square Limited borrowings and the Directors consider the remainder to be repayable from the ongoing trade of Blythwood Square Limited.

### 14. Creditors: amounts falling due within one year

	2012 £	Restated (Note 25) 2011 £
Bank loans (note 16)	10,825,081	600,000
Trade creditors	133,377	217,495
Other taxes and social security	119,609	160,024
Other creditors	85,681	46,305
Accruals and deferred income	99,614	120,846
Director's loan (note 24)	100,000	20,000
	11,363,362	1,164,670

# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 15. Creditors: amounts falling due after more than one year

	2012	Restated (Note 25) 2011
	£	£
Bank loans (note 16)	17,000,000	27,003,047
Director's loan (note 24)	293,000	393,000
	<u>17,293,000</u>	<u>27,396,047</u>

### 16. Borrowings

	2012	2011
	£	£
Bank loans	<u>27,825,081</u>	<u>27,603,047</u>
The maturity of the above amounts is as follows:		
In one year or less, or on demand	10,825,081	600,000
In more than one year but not more than two years	1,150,000	10,003,047
In more than two years but not more than five years	<u>15,850,000</u>	<u>17,000,000</u>
	<u>27,825,081</u>	<u>27,603,047</u>

As a result of Group refinancing in May 2011, all borrowings relating to the development of the Blythwood Square hotel, which previously resided within Blythwood Square Limited, were legally assigned to the company in order to facilitate one legal Group banking arrangement. As the original borrowings relate solely to the Blythwood Square Limited, the interest is charged on the group loan at the same rate to Blythwood Square Limited (notes 6 and 7).

The bank loans are secured by a first standard security bond and floating charge over the property and assets of the Group. The loans bear interest at rates of 2.5% and 4% over LIBOR. A redemption premium accrues at an agreed rate of return, payable upon the full redemption of the term debt to which it relates and is included in the carrying value of the debt.

The Group holds financial instruments only to manage the interest rate risk arising from its borrowings. As all transactions are undertaken in Sterling and within the United Kingdom, there is no perceived currency risk. No speculative transactions are permitted.

Subsequent to the balance sheet date, elements of the lending facilities which were due for repayment within one year have been extended for a period of at least twelve months from the date of signing these accounts.

The long term risk of interest rates is managed by an interest rate collar (hedging interest between a maximum and minimum level). As 31 October 2012 the fair value of the interest rate collar was a liability of £2,120,772 (2011: £2,150,514).

# The Town House Company Limited

## Notes to the financial statements Year ended 31 October 2012

### 17. Provisions for liabilities

	2012 £	2011 £
Deferred taxation (note 8)	28,312	37,409

### 18. Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid 1,000,000 ordinary shares of 10p each	100,000	100,000

### 19. Statement of movements on reserves

	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £
At 1 November 2011	3,770,958	14,700	10,891,674	14,677,332
Profit for the financial year	-	-	346,780	346,780
At 31 October 2012	3,770,958	14,700	11,238,454	15,024,112

### 20. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	346,780	447,620
Distribution (note 11)	-	(100)
Other recognised gains relating to the year	-	521,161
Net addition to shareholders' funds	346,780	968,681
Opening shareholders' funds	14,777,332	13,808,651
Closing shareholders' funds	15,124,112	14,777,332

### 21. Capital commitments

	2012 £	2011 £
Contracted for but not provided	-	24,083

The above amounts in the prior year relate to a bar construction of £10,363 and hotel upgrades of £13,700.

# **The Town House Company Limited**

## **Notes to the financial statements**

### **Year ended 31 October 2012**

#### **22. Pension schemes**

During the year the company paid contributions into the company's defined contribution pension scheme amounting to £20,922 (2011: £28,870) as detailed in note 4. There were no amounts outstanding or prepaid at either year end.

#### **23. Controlling party**

The results of the 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 Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh. Copies of the consolidated accounts of the Town House Collection Holdings Limited can be obtained from Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF

The ultimate controlling party is Peter Taylor.

#### **24. Related party transactions**

During the year the Company incurred costs of £842 (2011: £25,583) invoiced by Ezone Interactive LLP. Ezone Interactive LLP is owned by Mr Iain Taylor, a director of the company. As at 31 October £456 was owed to this related party (2011: £456 due to related party).

Consultancy fees of £35,250 (2011: £28,750) were paid or incurred during the year to a company controlled by Mr G Bissett in respect of project-related consultancy services. As at 31 October 2012 £2,250 was outstanding with this related party (2011: £1,500).

Amounts totalling £393,000 (2011: £413,000) are due to Peter Taylor, a director of the company, by way of a director's loan (notes 14 and 15).

#### **25. Prior year restatement**

The prior year balance sheet has been restated to reflect the legal assignment of £26,264,612 of borrowings from Blythswood Square Limited into the Company, as a result of the refinancing that was performed in May 2011. This includes the legal assignment of the Director's loan (£413,000 outstanding as at 31 October 2011). In addition, the prior year profit and loss account has been restated to reflect the interest charge on these borrowings as well as the corresponding interest recharged to Blythswood Square Limited (at the same rate applicable to the group loan), as all borrowings were incurred in relation to the development of the hotel that resides within that Group company (refer to note 6 and 16 for more details).

There has been no change to the net profit and loss account in the prior year and no change in shareholders' funds arising from this intra group assignment.