

The Townhouse Company Limited

Annual Report and Financial Statements

31 December 2015



The Townhouse Company Limited

Annual report and financial statements 2015

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The Townhouse Company Limited

Report and financial statements 2015

Officers and professional advisers

Directors

J C Bradshaw
S Broughton
N M Chadwick
A G Troy
J A Burrell

Registered office

35 Drumsheugh Gardens
Edinburgh
EH3 7RN

Bankers

Wells Fargo Bank N.A.

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds
United Kingdom

The Townhouse Company Limited

Strategic Report

Principal Activities of the Company

The principal activity of the Company is the operation of the Bonham hotel in Edinburgh.

Company Business Review

During the 14 months ended 31 December 2015, the Company's revenue increased on a like for like basis as a result of the improved trading conditions. The directors anticipate that in 2016 trading conditions will continue to improve and remain optimistic regarding the long term prospects of the Company.

The Group's key measurement of effectiveness of its operations is operating profit before depreciation and amortisation and exceptional or non-recurring items ("EBITDA"). The Company achieved an EBITDA of £626,000 (2014: £482,000).

The Company's earnings for the year have been retained and, together with the effects of capital expenditure and movements on working capital balances, this has led to an increase in year end cash balances from £1,238,000 to £1,997,000.

Financial risk management objectives and policies

Financial risk management objectives and policies are managed on a unified basis for the Group.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and price risk. The use of financial derivatives to manage risks is subject to Board approval and no financial derivatives are used for speculative purposes.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. These risks are small in the context of the Company's operations and therefore it does not use financial instruments to manage its exposure to them due to cost benefit considerations.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other 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 debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparty is Wells Fargo Bank N.A., a bank with a good credit rating.

The Company has no significant concentration of credit risk other than receivable balances with members of the Group. The exposure on other receivable balances is spread over a large number of counterparties and customers.

Liquidity Risk

The Group uses a mixture of long term shareholder debt and bank debt in order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future development. At 31 December 2015 the vast majority of the Group's bank debt was, subject to compliance with normal banking covenants, not due for repayment or renewal until March 2020.

Price Risk

The Company is exposed to commodity price risk, particularly in relation to energy costs. The Company manages its exposure to energy costs price risks by using fixed rate contracts, where appropriate, to ensure certainty of costs.

The Townhouse Company Limited

Strategic Report

Going Concern basis of accounts preparation

The Company is a member of the Townhouse group of companies headed by Siena Holdco Limited (the "Group"). The Company receives all necessary financial support from other companies within the Group to operate as a going concern.

The directors have considered the future trading prospects of the Group including its detailed trading and cash flow projections which include growth in its established businesses. The projections show that for a period of not less than 12 months from the date of approval of these financial statements the Group has sufficient operational facilities in place. Further, Siena Holdco Limited has confirmed that it will continue to provide financial support to the Company for a period of not less than 12 months from the date of approval of these financial statements.

Accordingly, the directors continue to be satisfied that adopting the going concern basis in preparing the annual report and financial statements for the Company, as a member of the Group, is appropriate.

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



J A Burrell
Director
28 June 2016

The Townhouse Company Limited

Directors' report

The directors present their annual report and the audited financial statements for 14 months ended 31 December 2015.

Going Concern and Financial risk management objectives and policies

The directors set out in the Strategic Report

- the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the Company; and
- the financial risk management objectives and policies of the Company.

Dividends

No dividends were paid during the financial period (2014: £640,000). The directors do not propose to pay a final dividend (2014: £nil).

Political contributions

There were no donations made to political parties (2014: £nil).

Directors

The directors who held office during the period and subsequent to the balance sheet date were:

J C Bradshaw	(appointed 1 May 2015)
S Broughton	(appointed 13 January 2015)
N M Chadwick	(appointed 13 January 2015)
A G Troy	(appointed 1 May 2015)
J A Burrell	(appointed 1 May 2015)
P J Taylor	(resigned 13 January 2015)
M J Taylor	(resigned 13 January 2015)
H J Taylor	(resigned 13 January 2015)
I P Taylor	(resigned 13 January 2015)
H Rissmann	(resigned 13 January 2015)
R J Hynd	(resigned 13 January 2015)
G Bissett	(resigned 13 January 2015)

Since 13 January 2015 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.

Employees

The Group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disability. In the event of staff becoming disabled every effort would be made to ensure that their employment continues and that training is arranged.

Employees are kept informed regarding the Group's affairs and are consulted on a regular basis wherever feasible and appropriate.

Disclosure of relevant information to 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 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 s418 of the Companies Act 2006.

The Townhouse Company Limited

Directors' report

Auditor

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

A handwritten signature in black ink, appearing to be 'J A Burrell', written over a horizontal line.

J A Burrell
Director
28 June 2016

The Townhouse Company Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report including 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 accounting standards (United Kingdom generally accepted accounting practice), including FRS 101 Reduced Disclosure Framework. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Townhouse Company Limited

We have audited the financial statements of The Townhouse Company Limited for the 14 months ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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), including FRS 101 Reduced Disclosure Framework.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 December 2015 and of its profit for the 14 month period 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 Strategic Report and 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 Townhouse 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.



David M Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

28 June 2016

The Townhouse Company Limited

Profit and Loss Account 14 months ended 31 December 2015

	Note	Fourteen months to December 2015 £'000	Year to October 2014 £'000
Turnover	3	2,895	2,409
Cost of sales		(1,552)	(1,265)
Gross profit		1,343	1,144
Administrative expenses		(987)	(839)
Operating profit / (loss) before depreciation and amortisation and exceptional or non-recurring items		626	482
Depreciation and amortisation		(98)	(70)
Exceptional or non-recurring items	4	(172)	(107)
Operating profit / (loss)		356	305
Operating profit / (loss)		356	305
Interest receivable and similar income	8	252	799
Interest payable	9	(612)	(1,047)
Profit / (loss) on ordinary activities before taxation	5	(4)	57
Tax on profit / (loss) on ordinary activities	10	23	(71)
Profit / (loss) for the financial period	19	19	(14)

All amounts relate to continuing activities.

Statement of Other Comprehensive Income 14 months ended 31 December 2015


For the 14 months ended 31 December 2015 and the year ended 31 October 2014 the Company had no transactions that would fall to be disclosed in a Statement of Other Comprehensive Income other than the net profit or loss for the financial year reported in the Profit and Loss Account above.

The Townhouse Company Limited

Balance sheet 31 December 2015

	Note	31 Dec 2015 £'000	31 Oct 2014 £'000
Fixed assets			
Tangible assets	11	7,219	7,042
Investments	12	-	-
Total fixed assets		<u>7,219</u>	<u>7,042</u>
Current assets			
Stocks		18	20
Debtors	13	20,326	21,334
Cash at bank and in hand		1,997	1,238
Total current assets		<u>22,341</u>	<u>22,592</u>
Creditors: amounts falling due within one year	14	<u>(19,461)</u>	<u>(1,482)</u>
Net current assets / (liabilities)		<u>2,880</u>	<u>21,110</u>
Total assets less current liabilities		10,099	28,152
Creditors: amounts falling due after more than one year	15	-	(18,049)
Provisions for liabilities	17	<u>(572)</u>	<u>(595)</u>
Net assets / (liabilities)		<u><u>9,527</u></u>	<u><u>9,508</u></u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account	19	9,427	9,408
Equity shareholders' funds / (deficit)		<u><u>9,527</u></u>	<u><u>9,508</u></u>

The financial statements of The Townhouse Company Limited, company number SC118669, have been approved and authorised for issue by the Board of Directors.



Signed on behalf of the Board of Directors

J A Burrell, Director

28 June 2016

The Townhouse Company Limited

Statement of changes in equity 31 December 2015

	Called up share capital (note 18) £'000	Revaluation reserve (note 19) £'000	Profit and loss account (note 19) £'000	Total £'000
At 1 November 2013	100	3,771	11,644	15,515
Effect of change in accounting framework (note 22)	-	(3,771)	3,210	(561)
As restated at 1 November 2013	100	-	14,854	14,954
Profit / (loss) for the financial year	-	-	(14)	(14)
Dividends	-	-	(640)	(640)
Capital contribution made	-	-	(4,792)	(4,792)
At 31 October 2014	100	-	9,408	9,508
Profit / (loss) for the financial period	-	-	19	19
At 31 December 2015	100	-	9,427	9,527

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

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 Townhouse Company Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the 14 months ended 31 December 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see note 22.

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards and law.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Siena Bidco Limited.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Siena Holdco Limited, which are available to the public and can be obtained as set out in note 23.

Going Concern

The financial statements have been prepared on a going concern basis. Further details regarding the adoption of the going concern basis can be found in the Strategic Report.

Impairment of tangible assets

The carrying value of each of the Company's cash generating units is compared to its recoverable amount. If the carrying value of a unit is less than its recoverable amount an impairment loss is recognised in profit or loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to that unit and then to the other assets of the unit on a pro-rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

1. ACCOUNTING POLICIES (*continued*)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over its expected useful life as follows:

Freehold land	not depreciated
Freehold buildings	100 years
Plant, equipment and vehicles	3 to 10 years as appropriate to the asset
Working replacements	3 years

Stocks

Stocks comprise food and beverages for resale and are stated at the lower of cost and net realisable value. Provisions are made for obsolete or slow-moving items where appropriate.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Taxation

Current 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. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

1. ACCOUNTING POLICIES (*continued*)

Turnover

Revenue is recognised when the significant risks and rewards of the goods or services provided have transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue is measured at the fair value of the consideration receivable from the sale of goods and services to third parties after deducting discounts and other promotional activities. Revenue includes duties which the Company pays as principal, but excludes amounts collected on behalf of other parties, such as value added tax.

Revenue of the Company comprises the following streams:

Sale of goods

Revenue from the sale of food and beverages is recognised at the point of sale.

Rendering of services

Revenue from room sales and other guest services is recognised when rooms are occupied and as services are provided.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pension costs

The Company operates a defined contribution pension scheme for qualifying employees. The amounts charged to the profit and loss account are the contributions payable for the period. Differences between contributions payable and contributions paid are included as either accruals or prepayments in the balance sheet.

Finance costs

Where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The only financial assets which the Company holds are classified as loans and receivables.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

1. ACCOUNTING POLICIES (*continued*)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

1. ACCOUNTING POLICIES (*continued*)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. All of the Company's financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of uncertainty at the balance sheet date, that have a potential risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

As discussed in note 1, the directors are, from time to time, required to consider whether any of the Company's assets are impaired. When conducting an impairment review, the directors use a discounted cash flow model which requires the directors to estimate the future cash inflows of the Company as well as suitable discount rates.

Corporation tax and deferred tax

The calculation of the Company's tax charge necessarily involves a degree of estimation and judgement in respect of certain items. In calculating the Company's tax charge, there are inherent assumptions made around assets which qualify for capital allowances as well as the level of expenses which are disallowable for corporation tax purposes.

Further judgement is required in relation to any deferred tax assets which may arise as the recoverability of these assets is reliant on future taxable profits. Deferred tax liabilities are calculated based on the Company's expectations regarding the manner and timing of the recovery of the related assets.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

3. TURNOVER

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
An analysis of the Company's turnover, all of which arose in the UK and relates to continuing operations and a single business segment, is as follows:		
Sales of goods	1,091	932
Rendering of services	1,804	1,477
Total turnover	<u>2,895</u>	<u>2,409</u>

4. EXCEPTIONAL OR NON-RECURRING ITEMS

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
Restructuring costs and termination payments	207	-
Profit on disposal of fixed assets	(35)	-
Refinancing costs	-	107
Total exceptional or non-recurring items	<u>172</u>	<u>107</u>

5. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation	98	70
Auditor's remuneration - audit of the Company's financial statements	6	9
Exceptional or non-recurring items (note 4)	<u>172</u>	<u>107</u>

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

6. STAFF COSTS

	Fourteen months to December 2015	Year to October 2014
The average monthly number of employees during the year was:		
Operational	51	53
	<u>£'000</u>	<u>£'000</u>
Their aggregate remuneration comprised:		
Wages and salaries	946	865
Social security costs	77	70
Pension costs	28	26
Total remuneration	<u>1,051</u>	<u>961</u>

7. DIRECTORS' EMOLUMENTS

	Fourteen months to December 2015	Year to October 2014
	<u>£'000</u>	<u>£'000</u>
All directors		
Wages and salaries	77	128
Pension costs	2	12
Total emoluments	<u>79</u>	<u>140</u>
	<u>No.</u>	<u>No.</u>
Members of money purchase pension schemes	3	3
	<u>£'000</u>	<u>£'000</u>
Highest paid director		
Wages and salaries	30	49
Pension costs	1	5
Total emoluments	<u>31</u>	<u>54</u>

The above emoluments relate to the period up to 13 January 2015 before the change of ultimate ownership of the Company. From 13 January 2015 no directors received remuneration in respect of services to the Company.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
Other interest receivable	7	-
Interest receivable on group loans	245	799
Total interest receivable	<u>252</u>	<u>799</u>

9. INTEREST PAYABLE

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
Bank loans and overdrafts	316	992
Amortisation of facility fees	296	55
Total interest payable	<u>612</u>	<u>1,047</u>

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

10. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
The tax charge for the year comprises:		
Current tax		
UK corporation tax on the profit / (loss) for the period	-	58
Total current tax charge / (credit)	-	58
Deferred tax		
Total deferred tax charge / (credit)	(23)	13
Total tax charge / (credit) for the period	(23)	71

The charge for the period can be reconciled to the profit in the profit and loss account as follows:

	Fourteen months to December 2015 £'000	Year to October 2014 £'000
Profit / (loss) on ordinary activities before taxation	(4)	57
Tax at standard UK rate of 20.35% (2014: 21.83%)	(1)	13
Effects of:		
Expenses not deductible for tax purposes	3	6
Income not chargeable for tax purposes	(10)	-
Other amounts chargeable for tax purposes	110	49
Group relief surrendered for nil consideration	(115)	-
Change in tax rates	(9)	3
Adjustments to the tax charge in respect of prior periods	(1)	-
Total tax charge / (credit) for the period	(23)	71

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost			
At 1 November 2014	6,885	751	7,636
Additions	-	290	290
Disposals	(15)	(584)	(599)
At 31 December 2015	6,870	457	7,327
Accumulated depreciation			
At 1 November 2014	3	591	594
Charge for the period	3	95	98
Disposals	-	(584)	(584)
At 31 December 2015	6	102	108
Net book value			
At 31 December 2015	6,864	355	7,219
At 31 October 2014	6,882	160	7,042

The Company's fixed assets are charged in favour of the Group's bankers as security for its borrowings.

12. INVESTMENTS

The Company owns the whole of the issued share capital of TC Newco 20151 Limited (formerly Edinburgh Hotel Limited) a non trading company registered in Scotland. The Company's cost of investment is £2.

13. DEBTORS

	31 Dec 2015 £'000	31 Oct 2014 £'000
Trade debtors	58	39
Other debtors	11	15
Prepayments and accrued income	44	88
Amounts owed by Group undertakings	20,213	21,192
Total debtors	20,326	21,334

Amounts owed by Group undertakings are repayable on demand and are interest free.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Dec 2015 £'000	31 Oct 2014 £'000
Bank loans (note 16)	-	900
Trade creditors	254	183
Taxation and social security	112	112
Amounts due to Group undertakings	18,843	-
Corporation tax	-	58
Accruals and deferred income	222	162
Other creditors	30	67
Total creditors falling due within one year	<u>19,461</u>	<u>1,482</u>

Amounts due to Group undertakings are payable on demand and are interest free.

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

	31 Dec 2015 £'000	31 Oct 2014 £'000
Bank loans (note 16)	-	18,049
Total creditors falling due after more than one year	<u>-</u>	<u>18,049</u>

16. BORROWINGS

	31 Dec 2015 £'000	31 Oct 2014 £'000
Bank loan	-	18,949
Total borrowings	<u>-</u>	<u>18,949</u>
Amount due for settlement within 12 months	-	900
Amount due for settlement after 12 months	-	18,049
	<u>-</u>	<u>18,949</u>

The bank loan, which was repaid in March 2015, was secured by a charge over the Group's properties. Interest on the bank loan was paid quarterly at rates based on the prevailing 3 month LIBOR rate.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

17. DEFERRED TAX

Deferred tax is provided as follows:

	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
(Asset) / liability at 1 November 2013	582	-	582
Charged / (credited) to the profit and loss account	13	-	13
(Asset) / liability at 31 October 2014	595	-	595
Charged / (credited) to the profit and loss account	(23)	-	(23)
(Asset) / liability at 31 December 2015	572	-	572

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015 £'000	2014 £'000
Deferred tax liabilities	572	595
Deferred tax assets	-	-
Total deferred tax	572	595

The Company has no unprovided deferred tax assets (2014: £nil).

The deferred tax balances in these financial statements are calculated using the tax rates substantively enacted at 31 December 2015. The Government announced in March 2016 a reduction in the rate of corporation tax to be applied with effect from 1 April 2020 from 18% to 17%. This change will impact the Company's deferred tax accounting for the year ending 31 December 2016.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

18. CALLED UP SHARE CAPITAL

	31 Dec 2015 £'000	31 Oct 2014 £'000
Allotted, called up and fully paid: 1,000,000 ordinary shares of 10p each	100	100
Total share capital	100	100

19. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 November 2013	3,771	11,664
Effect of change in accounting framework (note 22)	(3,771)	3,210
As restated at 1 November 2013	-	14,854
Profit / (loss) for the financial year	-	(14)
Dividends	-	(640)
Capital contribution made	-	(4,792)
At 31 October 2014	-	9,408
Profit / (loss) for the financial period	-	19
At 31 December 2015	-	9,427

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 101 not to disclose transactions with other Group companies.

21. CONTINGENT LIABILITIES

The Company, together with certain other fellow Group companies, has given guarantees to a maximum of £25.4 million over the UK borrowings of Siena Bidco Limited a fellow Group company. At 31 December 2015 the borrowings outstanding covered by this guarantee totalled £25.4 million.

The Townhouse Company Limited

Notes to the financial statements 14 months ended 31 December 2015

22. EFFECT OF CHANGE IN ACCOUNTING FRAMEWORK

This is the first period that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The latest financial statements under a previous GAAP (UK GAAP) were for the year ended 31 October 2014 and the date of transition to FRS 101 was therefore 1 November 2013.

	31 Oct 2014 £'000	1 Nov 2013 £'000
Reconciliation of equity		
Equity reported under UK GAAP	10,079	15,515
Adjustment in respect of the carrying values of properties	(3)	-
Adjustment in respect of deferred tax	(568)	(561)
Equity reported under FRS 101	<u>9,508</u>	<u>14,954</u>
Reconciliation of profit / (loss) for the year ended 31 October 2014		£'000
Profit / (loss) for the year reported under UK GAAP		(4,796)
Adjustment in respect of the carrying values of properties		(3)
Adjustment in respect of deferred tax		(7)
Adjustment in respect of capital contribution made		4,792
Profit / (loss) for the year reported under FRS 101		<u>(14)</u>

On transition to IFRS the Company has used frozen its property values as deemed cost and the adjustment in respect of the carrying values of properties represents this adjustment.

Under UK GAAP, deferred tax was provided on certain timing differences but not those relating to hotel business allowances. Under FRS 101, deferred tax is calculated based on temporary differences including hotel business allowances. The adjustment in respect of deferred tax represents the transition between these two calculation methods.

The Company's had an interest rate cap arrangement which it utilised to manage its exposure to interest rate risk. Under UK GAAP, the cost of this instruments was expensed. Under IAS 39 "Financial Instruments: Recognition and Measurement", this financial instruments is held at FVTPL. The adjustment in respect of derivative financial instruments represents the transition between these two treatments.

During the year ended 31 October 2014 the Company released an amount owing by a fellow Group company. This release has been re-categorised as a capital contribution made and debited directly to the profit and loss account reserves.

The Townhouse Company Limited

Notes to the financial statements

14 months ended 31 December 2015

23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is SOF-10 B&B Holdings Lux Sarl, a company incorporated in Luxembourg. The parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Siena Holdco Limited, a company incorporated in Great Britain. The parent undertaking of the smallest such group is Siena Bidco Limited, a company incorporated in Great Britain. Copies of the group financial statements of Siena Holdco Limited and Siena Bidco Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. The Company's immediate controlling party is The Townhouse Collection Holdings Limited.