

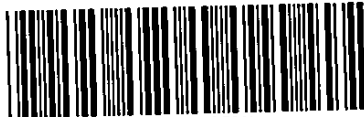
Company Registration No. SC118669

The Town House Company Limited

Report and Financial Statements

31 October 2013

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The Town House Company Limited

Report and financial statements 2013

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The Town House Company Limited

Report and financial statements 2013

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

Auditor

Deloitte LLP
Edinburgh

Tax Advisor

French Duncan LLP
Edinburgh

The Town House Company Limited

Group 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 2013. 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 in its first 3 years of full opening. The financial performance of the hotel has been excellent throughout its third year, exceeding 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 continues to benefit from its loyal customer base who appreciates the high quality of service and attention to detail that the hotel offers its guests.

Turnover for the Group increased 8% (£0.82m) to £10.9m for the year to 31 October 2013 with a 17% (£0.3m) increase in the underlying operating profit to £2.1m, excluding exceptional income of £3.9m (2012: £nil) and exceptional costs of £0.3m (2012: £0.2m). I am confident that the underlying operating profit will continue to improve during 2014 and in subsequent years as the Blythswood Square hotel builds up to its full trading potential. Glasgow will be the centre of gravity in 2014, with the new Hydro Arena fully up and running, the Commonwealth Games, the Ryder Cup and the MTV awards. The Edinburgh market has proved to be very resilient through recent tough times and is already showing signs of a real upswing. I believe both of our hotels will enjoy excellent trading in 2014 and that both hotels are well positioned in their respective markets to capitalise on the opportunities of 2014 and beyond.

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 also recently received settlement of a substantial claim in respect of a wall collapse which caused the delayed opening and excess construction cost of the Blythswood Square hotel. The directors are pleased to report that the claim has now been settled for £4.1m with the final tranche of claim proceeds received during 2013 (£3.9m) and recorded in the attached financial statements. No other exceptional costs will be incurred in relation to this matter.

The impact of these strategic actions, when coupled with a £2m increase in the underlying operating profit of the Group over the past 3 years, has resulted in a 42% reduction in the Group's overall borrowings over the same period and as a result the Group recently signed a new long-term banking facility. This is an endorsement of the work that we have done and tough decisions we had to make during a difficult period. This new long-term facility is a huge milestone and provides a solid platform upon which to develop the Group through The Bonham and Blythswood Square.

Moving forward the challenges for the Group remain the continued delivery of the highest level of service and to maximise the trading opportunities that both Glasgow and Edinburgh offer in 2014 and beyond. The signs are good with the Group recently achieving record festive results with revenues up 16% year on year over the key 4 week festive period. Similarly, the Group has secured record accommodation revenue bookings for the 2014 financial year with the Group's forward bookings 93% ahead of the same point in the previous year.

The Town House Company Limited

Group chairman's statement (continued)

Our reputation, level of service and market penetration has 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 2014 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

25 February 2014

The Town House Company Limited

Strategic Report

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 Bonham hotel continues to trade well in a competitive market and benefits from a loyal customer base. Turnover during the year increased to £2,471,867 (2012: £2,413,854) with profit before tax increasing to £383,856 (2011: £337,683). Included within this result were exceptional professional fees of £51,722 (2012: £91,240).

The directors are confident that the hotel's underlying profit will continue to improve in future years as further investment is made in the hotel to supplement the high quality of service and attention to detail that the hotel offers its guests.

Key Performance Indicators

The Key Revenue Performance Indicators for the Industry are Occupancy levels (percentage of room nights booked in comparison to room nights available), Average Room Rate (the average room rate achieved per room sold) and Revenue per Available Room (accommodation revenue achieved per available room). These key performance indicators are reviewed regularly by management and The Bonham hotel has performed broadly in line with its chosen competitor set throughout the financial year.

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. As discussed on page six, the Group has recently extended its lending facilities until 2019, providing adequate funding levels for the foreseeable future. In 2007, the Company entered into a complex interest rate hedging product with Bank of Scotland Treasury. This instrument has not offered the anticipated protection against LIBOR increases and as a result the matter has been referred to the FCA review process. The full impact of interest incurred to date has been reflected in the accounts of the Company (with a subsequent recharge to a fellow subsidiary) since the hedge contract was entered into and the fair value of the liability arising at the balance sheet date is disclosed in note 13.

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 that the Company has no concentration of credit risk, with exposure spread over a large number of customers.

The Town House Company Limited

Report and financial statements 2013

Strategic Report (Continued)

Risk management (continued)

The Directors will monitor the outcome of the Independence Referendum in September 2014 and assess the implications for the Company's business once the outcome is clear.

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.

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

A handwritten signature in black ink, appearing to read 'Peter Taylor', with a stylized flourish at the end.

Peter Taylor

Director

25 February 2014

The Town House Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2013.

Going concern

The Company has recently negotiated new lending facilities on behalf of the Group, extending until 2019.

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.

Future prospects

The future prospects of the company are discussed in more detail in the Strategic Report on page four.

Post Balance Sheet events

Details of post balance sheet events are included in note 21 to the financial statements.

Dividends

No cash dividends have been declared or paid during the year and the profit for the financial year of £390,453 (2012: £346,780) 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:

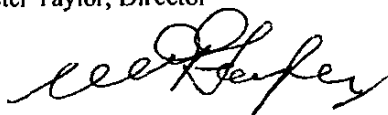
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that 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 on 25 February 2014 and signed on behalf of the Board

Peter Taylor, Director



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 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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 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 October 2013 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

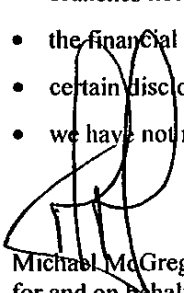
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of The 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
25 February 2014

The Town House Company Limited

Profit and loss account Year ended 31 October 2013

	Notes	2013 £	2012 £
Turnover	2	2,471,867	2,413,854
Cost of sales		(1,112,044)	(1,107,785)
Gross profit		<u>1,359,823</u>	<u>1,306,069</u>
Administrative expenses:			
Non exceptional administrative expenses		(924,245)	(877,146)
Exceptional administrative expenses	4	(51,722)	(91,240)
Total administration expenses		<u>(975,967)</u>	<u>(968,386)</u>
Operating profit	4	383,856	337,683
Interest payable and similar charges	5	(1,888,396)	(1,892,406)
Interest receivable on group borrowings	6	1,888,396	1,892,406
Profit on ordinary activities before taxation		383,856	337,683
Tax on profit on ordinary activities	7	6,597	9,097
Profit for the financial year	16, 17	<u>390,453</u>	<u>346,780</u>

The statement of movements on reserves is shown in note 16 to the financial statements. Other than the profit for the year of £390,453 (2012: profit of £346,780) no other recognised gains or losses have occurred. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All results are derived from continuing operations.

The Town House Company Limited

Balance sheet 31 October 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible fixed assets	8	<u>7,009,221</u>	<u>7,007,690</u>
Current assets			
Stocks	9	22,280	22,100
Debtors			
- amounts due within one year	10	24,378,470	11,052,055
- amounts due after more than one year	10	7,966,404	24,916,709
Cash at bank and in hand		<u>545,354</u>	<u>810,232</u>
		32,912,508	36,801,096
Creditors: amounts falling due within one year	11	<u>(24,172,449)</u>	<u>(11,363,362)</u>
Net current assets		<u>8,740,059</u>	<u>25,437,734</u>
Total assets less current liabilities		15,749,280	32,445,424
Creditors: amounts falling due after more than one year	12	(213,000)	(17,293,000)
Provisions for liabilities	14	<u>(21,715)</u>	<u>(28,312)</u>
Net assets		<u>15,514,565</u>	<u>15,124,112</u>
Capital and reserves			
Called up share capital	15	100,000	100,000
Revaluation reserve	16	3,770,958	3,770,958
Other reserves	16	14,700	14,700
Profit and loss account	16	<u>11,628,907</u>	<u>11,238,454</u>
Shareholders' funds	17	<u>15,514,565</u>	<u>15,124,112</u>

The financial statements of The Town House Company Limited, registered number SC118669 were approved by the Board of Directors and authorised for issued on 25 February 2014.

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 2013

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 strategic report on pages three and four.

The Company recently negotiated new lending facilities on behalf of the Group, extending until 2019.

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.

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:

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

1. Accounting policies (continued)

Fixed assets (continued)

Furniture and equipment	10% per annum straight-line
Computer software	20% per annum straight-line

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 has entered into one interest rate hedging product which was understood to have offered protection against increases in LIBOR. The company does not hold or issue derivative financial instruments for speculative purposes. As a result, the instrument is not recorded on the balance sheet at fair value.

Stocks

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

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.

Exceptional items

Exceptional items (in both periods) comprise non-recurring legal and professional costs associated with certain strategic issues affecting both the Company. The Directors consider such items as material to the profit and loss account (in both periods) and that their separate disclosure is necessary for an appropriate understanding of the Company's financial performance.

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

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. Information regarding directors and employees

	2013 £	2012 £
Directors' remuneration		
Emoluments (excluding pension contributions)	138,192	142,974
Company contributions to money purchase and similar pension schemes in respect of directors' services	11,721	11,209

	2013 No.	2012 No.
The number of directors who:		
– are members of a money purchase pension scheme	3	3
Average number of persons employed		
Operations	56	53

	2013 £	2012 £
Staff costs during the year (including directors)		
Wages and salaries	910,241	880,313
Social security costs	71,531	71,045
Pension costs	22,267	20,922
	1,004,039	972,280

4. Operating profit

	2013 £	2012 £
Operating profit is stated after charging:		
Depreciation	59,622	55,633
Exceptional legal and professional fees	51,722	91,240
Fees payable to the company's auditor for the audit of the company's financial statements	8,500	8,250

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

5. Interest payable and similar charges

	2013 £	2012 £
Interest payable and similar charges	<u>1,888,396</u>	<u>1,892,406</u>

The Town House Collection Holdings Limited has a Group borrowing facility, with the ultimate borrowings residing in this Company. Interest is recharged to a fellow subsidiary, Blythswood Square Limited, based on the Directors' assessment of the proportion of facilities used by each company in the relevant financial year.

6. Interest receivable on Group borrowings

	2013 £	2012 £
Interest receivable on Group borrowings (note 5)	<u>1,888,396</u>	<u>1,892,406</u>

7. Tax on profit on ordinary activities

Tax credit for the year

	2013 £	2012 £
<i>Current taxation</i>		
United Kingdom corporation tax	-	-
<i>Deferred taxation</i>		
Timing differences, origination and reversal	<u>(6,597)</u>	<u>(9,097)</u>
Tax on profit on ordinary activities	<u>(6,597)</u>	<u>(9,097)</u>

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 23.41% (2012: 24.83%). 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 2013

7. Tax on profit on ordinary activities (continued)

Reconciliation of current tax

	2013 £	2012 £
Profit on ordinary activities before taxation	383,856	337,683
Tax on profit on ordinary activities at standard rate	89,861	83,847
<i>Factors affecting charge for the year:</i>		
Non-deductible expenses	-	1,614
Movement in short-term timing differences	-	(8,908)
Depreciation (less than)/in excess of capital allowances	(868)	4,372
Group relief claimed for nil consideration	(88,993)	(80,925)
Total actual amount of current tax	-	-

Analysis of deferred tax balances

	2013 £	2012 £
Excess of taxation allowances over depreciation	21,715	28,312

Analysis of movement in deferred tax provision

	Deferred taxation £
Balance at 1 November 2012	28,312
Credit for the year	(6,597)
Balance at 31 October 2013	21,715

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

8. Tangible fixed assets

	Heritable property £	Furniture and equipment £	Computer Equipment £	Total £
Cost or valuation				
At 1 November 2012	6,884,595	583,656	18,660	7,486,911
Additions	790	33,088	27,275	61,153
Disposals	-	(15,043)	-	(15,043)
At 31 October 2013	6,885,385	601,701	45,935	7,533,021
Accumulated depreciation				
At 1 November 2012	-	477,144	2,077	479,221
Charge for the year	-	55,249	4,373	59,622
Disposals	-	(15,043)	-	(15,043)
At 31 October 2013	-	517,350	6,450	523,800
Net book value				
At 31 October 2013	6,885,385	84,351	39,485	7,009,221
At 31 October 2012	6,884,595	106,512	16,583	7,007,690

Comparable amounts determined according historical cost convention

	Heritable property £	Furniture and equipment £	Computer Equipment £	Total £
Cost	3,114,427	601,701	45,935	3,762,063
Accumulated depreciation	-	517,350	6,450	523,800
Net book value				
At 31 November 2012	3,113,637	106,512	16,583	3,236,732
At 31 October 2013	3,114,427	84,351	39,485	3,238,263

The directors valued the heritable property of 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) and with full consideration of current market conditions.

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

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

9. Stocks

	2013 £	2012 £
Food, beverages and consumables	22,280	22,100

10. Debtors

	2013 £	2012 £
Trade debtors	34,501	31,526
Amounts due from Group undertakings	24,224,504	10,925,081
Other debtors	23,811	27,759
Prepayments and accrued income	95,654	67,689
Amounts due within one year	24,378,470	11,052,055
Amounts due from Group undertakings after more than one year	7,966,404	24,916,709
	32,344,874	35,968,764

Amounts totalling £7,966,404 (2012: £24,916,709) due from Group undertakings are contractually recoverable after more than one year. All loan repayments relating to original Blythwood Square Limited borrowings and related interest due are current and the Directors consider the remainder to be repayable from the ongoing trade of Blythwood Square Limited.

11. Creditors: amounts falling due within one year

	2013 £	2012 £
Bank loans (note 13)	23,512,954	10,825,081
Trade creditors	265,449	133,377
Other taxes and social security	164,997	119,609
Other creditors	64,981	85,681
Accruals and deferred income	84,068	99,614
Director's loan (note 20)	80,000	100,000
	24,172,449	11,363,362

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

12. Creditors: amounts falling due after more than one year

	2013 £	2012 £
Bank loans (note 13)	-	17,000,000
Director's loan (note 20)	213,000	293,000
	<u>213,000</u>	<u>17,293,000</u>

13. Borrowings

	2013 £	2012 £
Bank loans	<u>23,512,954</u>	<u>27,825,081</u>
The maturity of the above amounts is as follows:		
In one year or less, or on demand	23,512,954	10,825,081
In more than one year but not more than two years	-	1,150,000
In more than two years but not more than five years	-	15,850,000
	<u>23,512,954</u>	<u>27,825,081</u>

At the balance sheet date, the bank loans were secured by a first standard security bond and floating charge over the property and assets of the Group. Interest was charged at rates of 2.5% and 4% over LIBOR. A redemption premium was accrued at an agreed rate of return, payable upon the full redemption of the term debt to which it related and is included in the carrying value of the debt.

Subsequent to the balance sheet date, the Group refinanced its existing borrowings into two term loans which extend until January 2019. The overall interest expense (including fees related to the borrowings) is significantly more favourable when compared to that due under the existing facility, the effect of which will be quantified in the financial statements to 31 October 2014. The new facilities are secured by a first standard security bond and floating charge over the property and assets of the Group.

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.

In 2007, the Company entered into a complex interest rate hedging product with Bank of Scotland Treasury. This instrument has not offered the anticipated protection against LIBOR increases and as a result the matter has been referred to the FCA review process. The full impact of interest incurred to date has been reflected in the accounts of the Company since the hedge contract was entered into (with a subsequent recharge to a fellow subsidiary) and at 31 October 2013 the fair value of the interest rate collar was a liability of £1,568,282 (2012: £2,120,772).

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

14. Provisions for liabilities

	2013 £	2012 £
Deferred taxation (note 7)	21,715	28,312

15. Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid 1,000,000 ordinary shares of 10p each	100,000	100,000

16. Statement of movements on reserves

	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £
At 1 November 2012	3,770,958	14,700	11,238,454	15,024,112
Profit for the financial year	-	-	390,453	390,453
At 31 October 2013	3,770,958	14,700	11,628,907	15,414,565

17. Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the financial year	390,453	346,780
Net addition to shareholders' funds	390,453	346,780
Opening shareholders' funds	15,124,112	14,777,332
Closing shareholders' funds	15,514,565	15,124,112

18. Pension schemes

During the year the company paid contributions into the company's defined contribution pension scheme amounting to £22,267 (2012: £20,922) as detailed in note 3. There were no amounts outstanding or prepaid at either year end.

The Town House Company Limited

Notes to the financial statements Year ended 31 October 2013

19. 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.

20. Related party transactions

During the year the Company incurred costs of £776 (2012: £842) invoiced by Ezone Interactive LLP. Ezone Interactive LLP is owned by Mr Iain Taylor, a director of the company. As at 31 October £nil was owed to this related party (2012: £456 due to related party). Subsequent to the year end the loan was fully repaid.

Consultancy fees of £36,750 (2012: £35,250) were paid or incurred during the year to a company controlled by Graeme Bissett in respect of project-related consultancy services. As at 31 October 2013 £5,400 was outstanding with this related party (2012: £2,250).

Amounts totalling £293,000 (2012: £393,000) are due to Peter Taylor, a director of the company, by way of a director's loan (notes 12 and 13).

21. Post balance sheet events

In January 2014 the Group agreed new financing facilities with its existing lenders, comprising two new term loans and a £1,000,000 working capital overdraft facility. Further details of the term loans are included within note 13.