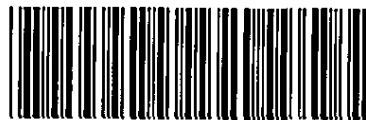


Company Registration No. SC118669

The Town House Company Limited

Annual Report and Financial Statements

For the year ended 31 October 2014



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The Town House Company Limited

Annual report and financial statements

For the year ended 31 October 2014

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The Town House Company Limited

Report and financial statements for the year ended 31 October 2014

Officers and professional advisers

Directors

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

Company 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
Chartered Accountants and Statutory Auditor
Edinburgh

Tax Advisor

French Duncan LLP
Edinburgh

The Town House Company Limited

For the year ended 31 October 2014

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 form 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 2014. In a competitive 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 four years. The financial performance of the hotel has been excellent throughout its fourth 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 benefits from its loyal customers, who appreciate the high quality of service and attention to detail offered by the hotel.

Turnover from continuing operations for the Group increased 9% to £11.9m for the year to 31 October 2014 with a 27% increase in the underlying operating profit to £2.7m, excluding exceptional income of £5.1m (2013: £3.9m) and exceptional costs of £0.3m (2013: £0.3m). I am confident that the underlying operating profit will continue to improve during 2014-15 and in subsequent years as the Blythswood Square hotel builds up to its full trading potential. In 2014, Scotland and in particular Glasgow was the centre of attraction, with the Commonwealth Games, the Ryder Cup and the MTV awards. I believe that the whole country will continue to benefit from the positive legacy left by these highly successful events. The 13,000 seat Hydro Arena in Glasgow is an excellent addition to the city which will continue to drive business in 2015 and beyond. The Edinburgh market has proved to be very resilient through recent tough times and continues to show signs of a real upswing. I believe both of our hotels will enjoy excellent trading in 2015 and that both hotels are well positioned in their respective markets to capitalise on the opportunities of 2015 and beyond.

With our Group now in such a healthy position, I reflect on all of the difficulties we have encountered in recent years and take pride in how the Town House team has responded. As has been well-documented, our Group encountered serious challenges during the construction of the Blythswood Square hotel. We took the view in 2010 that increasing levels of debt had to be controlled and we did so initially by realising the value built up in our smaller and more mature hotels in Edinburgh. The construction challenges delayed the opening of the Blythswood Square hotel and caused additional cost and during 2013 the Group received an insurance settlement of £3.9m as compensation in addition to the £0.2m received in 2009. The 2014 results also reflect a redress payment received from the bank relating to an interest rate hedging product of £2.8m.

The impact of these actions, when coupled with a strong increase in the underlying operating profit of the Group over the past four years, has reduced our debt by nearly 50% to a manageable level. Importantly, throughout that period, we are delighted to have enjoyed the continuing support of our colleagues at Bank of Scotland Corporate with whom in January 2014 we signed a new long-term banking facility. The financial results for 2014 have benefited from previously accrued redemption premia which was released as part of the refinancing, realising an exceptional gain of £2.29m in the year to 31 October 2014. This is an endorsement of the work that we have done and difficult decisions we had to make during a testing period.

These have been very tough years but I am pleased to say that our Group is now in a very strong position. 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 2015 and beyond. 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 2015 with well-founded optimism.

The Town House Company Limited
For the year ended 31 October 2014

Group chairman's statement (continued)

I would like to personally thank the employees of the Group and all of our stakeholders for their continued support. Their commitment, hard work and supportive nature have been exemplary.



Peter Taylor

Chairman

17 December 2014

The Town House Company Limited **For the year ended 31 October 2014**

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 derived from continuing operations during the year decreased to £2,408,737 (2013: £2,471,867) with an underlying operating profit recorded of £415,451 (2013: £435,578), excluding exceptional income of £5,078,115 (2013: £nil) and exceptional costs of £9,977,395 (2013: £51,722).

The exceptional items recorded in the year are detailed and explained in note 4.

The Company recorded an overall loss before taxation, after interest of £4,731,279 (2013: profit of £383,856). A dividend of £639,900 was paid in the year (2013: £nil) to the Group holding company, the Town House Collection Holdings Ltd and is shown as a reserve movement (note 15).

During the year, the directors also took the opportunity to renew the level of indebtedness by Blythwood Square Limited to the company. As a consequence £4,792,468 (2013: £nil) was agreed between the parties as a permanent reduction in the inter-company indebtedness.

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.

The Group actively maintains a mixture of long and short term debt finance designed to ensure it has sufficient funds available for its activities. As discussed on page six, the Group has recently extended its lending facilities until 2019, providing adequate funding levels for the foreseeable future. In July 2014 the Group entered into an interest rate cap to provide protection against future interest rises.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Board are of the opinion the Group has no concentration of credit risk, with exposure spread over a large number of customers.

The Town House Company Limited
For the year ended 31 October 2014

Strategic Report (continued)

Risk management (continued)

The Board of the company retains overall responsibility for the Group's system of internal financial control, which is designed to give reasonable assurance against material financial misstatement or loss. Financial controls have been established which the Board believes enable it to meet its responsibility for the integrity and accuracy of the company's accounting records.

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



Peter Taylor

Director

17 December 2014

The Town House Company Limited

For the year ended 31 October 2014

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2014.

Principal activity

The principal activity of the Company is hotel management.

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

Going concern

In January 2014 the Company confirmed 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 pages 4 and 5.

Dividends

A dividend was paid to the Group Holding company in the current year of £639,900 (2013: £ nil) which is recorded as a movement in reserves in (note 15). The loss after tax for the financial year of £4,795,676 (2013: profit after tax £390,453) 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 17 December 2014 and signed on behalf of the Board

Peter Taylor, Director



The Town House Company Limited **For the year ended 31 October 2014**

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;
- state whether applicable United Kingdom 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 Town House Company Limited

We have audited the financial statements of The Town House Company Limited for the year ended 31 October 2014, which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. 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 2014 and of its loss 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

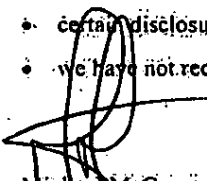
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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
17 December 2014

The Town House Company Limited

Profit and loss account For the year ended 31 October 2014

	Notes	2014 £	2013 £
Turnover	2	2,408,737	2,471,867
Cost of sales		(1,081,820)	(1,112,044)
Gross profit		<u>1,326,917</u>	<u>1,359,823</u>
Administrative expenses:			
Non exceptional administrative expenses		(911,466)	(924,245)
Exceptional administrative expenses	4	(9,977,395)	(51,722)
Total administrative expenses		<u>(10,888,861)</u>	<u>(975,967)</u>
Exceptional other operating income	4	5,078,115	-
Operating (loss)/profit	4	<u>(4,483,829)</u>	<u>383,856</u>
Interest payable and similar charges	5	(1,046,559)	(1,888,396)
Interest receivable on Group borrowings	6	799,109	1,888,396
(Loss)/profit on ordinary activities before taxation		<u>(4,731,279)</u>	<u>383,856</u>
Tax on (loss)/profit on ordinary activities	7	(64,397)	6,597
(Loss)/profit for the financial year	15, 16	<u>(4,795,676)</u>	<u>390,453</u>

The movements on reserves is shown in note 15 to the financial statements. Other than the loss for the year of £4,795,676 (2013: profit of £390,453) 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 As at 31 October 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible fixed assets	8	7,045,223	7,009,221
Current assets			
Stocks	9	20,360	22,280
Debtors			
- amounts due within one year	10	921,016	24,378,470
- amounts due after more than one year	10	20,413,031	7,966,404
Cash at bank and in hand		1,237,610	545,354
		22,592,017	32,912,508
Creditors: amounts falling due within one year	11	(1,480,643)	(24,172,449)
Net current assets		21,111,374	8,740,059
Total assets less current liabilities		28,156,597	15,749,280
Creditors: amounts falling due after more than one year	12	(18,049,388)	(213,000)
Provisions for liabilities	13	(28,220)	(21,715)
Net assets		10,078,989	15,514,565
Capital and reserves			
Called-up share capital	14	100,000	100,000
Revaluation reserve	15	3,770,958	3,770,958
Other reserves	15	14,700	14,700
Profit and loss account	15	6,193,331	11,628,907
Shareholders' funds	16	10,078,989	15,514,565

The financial statements of The Town House Company Limited, (registered number SC118669) were approved by the Board of Directors and authorised for issued on 17 December 2014.

Signed on behalf of the Board of Directors


Peter Taylor
Director

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

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 4 and 5.

During the year the Company confirmed 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 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 (continued) For the year ended 31 October 2014

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 terminated one interest rate hedging product and entered into a new interest rate hedging product in the current year, the intention of which is to offer 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 prior periods comprise non-recurring legal and professional costs associated with certain strategic issues affecting the Company. In the current year the nature of the exceptional items is detailed in note 4. 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 financial performance.

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

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

	2014 £	2013 £
Directors' remuneration		
Emoluments (excluding pension contributions)	<u>127,926</u>	<u>138,192</u>
Company contributions to money purchase and similar pension schemes in respect of directors' services	<u>12,135</u>	<u>11,721</u>

	2014 No.	2013 No.
The number of directors who:		
– are members of a money purchase pension scheme	<u>3</u>	<u>3</u>
Average number of persons employed		
Operations	<u>53</u>	<u>56</u>

	2014 £	2013 £
Staff costs during the year (including directors)		
Wages and salaries	865,195	910,241
Social security costs	70,341	71,531
Pension costs	25,588	22,267
	<u>961,124</u>	<u>1,004,039</u>

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

4. Operating (loss)/profit

	2014 £	2013 £
Operating (loss)/profit is stated after charging/(crediting):		
Depreciation (note 8)	66,711	59,622
Exceptional legal and professional fees	106,812	51,722
Exceptional intercompany loan write off expense	4,792,468	-
Exceptional income in relation to hedging redress	(2,788,954)	-
Exceptional costs due to reallocation of hedging redress	2,788,954	-
Exceptional income in relation to redemption premium	(2,289,161)	-
Exceptional costs due to reallocation of redemption premium	2,289,161	-
Fees payable to the Company's auditor for the audit of the Company's financial statements	9,000	8,500

The company had previously maintained a funding arrangement with its banker, which in turn had been loaned to a fellow subsidiary company, Blythwood Square Limited. Associated with this funding was an interest rate hedging instrument. During the current year, the Company obtained compensation as the hedging product had not offered the anticipated protection against LIBOR increases.

During the year the Company entered in to new term loan facilities that extend to 2019. As a consequence the legacy facilities were extinguished with the effect that a previously accrued redemption premium was released.

The directors have determined that since Blythwood Square Limited had borne the cost of the legacy debt and hedging instruments in prior years, the benefit of the above described matters should accrue to that entity.

The directors also took the opportunity to renew the level of indebtedness by Blythwood Square Limited to the company. As a consequence £4,792,468 was agreed between the parties as a permanent reduction in the inter-company indebtedness.

5. Interest payable and similar charges

	2014 £	2013 £
Interest payable and similar charges	991,813	1,888,396
Amortised deferred arrangement and exit fees	54,746	-
	<u>1,046,559</u>	<u>1,888,396</u>

Interest on facilities are recharged to a fellow subsidiary, Blythwood 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

	2014 £	2013 £
Interest receivable on Group borrowings (note 5)	<u>799,109</u>	<u>1,888,396</u>

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

7. Tax on (loss)/profit on ordinary activities

Tax credit for the year

	2014 £	2013 £
<i>Current taxation</i>		
United Kingdom corporation tax	57,892	-
<i>Deferred taxation</i>		
Timing differences, origination and reversal	6,505	(6,597)
Tax on (loss)/profit on ordinary activities	<u>64,397</u>	<u>(6,597)</u>

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 21.83% (2013: 23.41%). The actual tax charge differs from the standard rate for the reasons set out in the following tax reconciliation:

Reconciliation of current tax

	2014 £	2013 £
(Loss)/profit on ordinary activities before taxation	<u>(4,731,279)</u>	<u>383,856</u>
Tax on (loss)/ profit on ordinary activities at standard rate	<u>(1,032,838)</u>	<u>89,861</u>
<i>Factors affecting charge for the year:</i>		
Non-deductible expenses	1,042,470	-
Transfer pricing adjustment	49,580	-
Depreciation (less than)/in excess of capital allowances	895	(868)
Marginal relief claimed	(2,215)	-
Group relief claimed for £nil consideration	-	(88,993)
Total actual amount of current tax	<u>57,892</u>	<u>-</u>

Analysis of deferred tax balances

	2014 £	2013 £
Excess of taxation allowances over depreciation	29,322	21,715
Other short term timing differences	<u>(1,102)</u>	<u>-</u>
Total deferred tax	<u>28,220</u>	<u>21,715</u>

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

7. Tax on (loss)/profit on ordinary activities (continued)

Analysis of movement in deferred tax provision

	Deferred tax £
Balance at 1 November	21,715
Charge for the year	6,505
Balance at 31 October	<u>28,220</u>

8. Tangible fixed assets

	Heritable property £	Furniture and equipment £	Computer Equipment £	Total £
Cost or valuation				
At 1 November 2013	6,885,385	601,701	45,935	7,533,021
Additions	-	91,134	11,579	102,713
At 31 October 2014	<u>6,885,385</u>	<u>692,835</u>	<u>57,514</u>	<u>7,635,734</u>
Accumulated depreciation				
At 1 November 2013	-	517,350	6,450	523,800
Charge for the year	-	63,603	3,108	66,711
At 31 October 2014	<u>-</u>	<u>580,953</u>	<u>9,558</u>	<u>590,511</u>
Net book value				
At 31 October 2014	<u>6,885,385</u>	<u>111,882</u>	<u>47,956</u>	<u>7,045,223</u>
At 1 November 2013	<u>6,885,385</u>	<u>84,351</u>	<u>39,485</u>	<u>7,009,221</u>

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

8. Tangible fixed assets (continued)

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

	2014 £	2013 £
Cost	<u>3,114,427</u>	<u>3,114,427</u>

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 I 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.

9. Stocks

	2014 £	2013 £
Food, beverages and consumables	<u>20,360</u>	<u>22,280</u>

10. Debtors

	2014 £	2013 £
Trade debtors	39,037	34,501
Amounts due from Group undertakings	778,931	24,224,504
Other debtors	14,926	23,811
Prepayments and accrued income	88,122	95,654
Amounts due within one year	<u>921,016</u>	<u>24,378,470</u>
Amounts due from Group undertakings after more than one year	<u>20,413,031</u>	<u>7,966,404</u>
	<u>21,334,047</u>	<u>32,344,874</u>

As detailed in note 4, the directors re-determined the quantum and maturity of inter-company indebtedness between the Company and Blythswood Square Limited.

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

11. Creditors: amounts falling due within one year

	2014 £	2013 £
Bank loans (note 12)	900,000	23,512,954
Trade creditors	183,157	265,449
Corporation tax liability	57,892	-
Other taxes and social security	111,960	164,997
Other creditors	65,582	64,981
Accruals and deferred income	55,933	84,068
Accrued deferred arrangement and exit fee	106,119	-
Director's loan (note 20)	-	80,000
	<u>1,480,643</u>	<u>24,172,449</u>

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

	2014 £	2013 £
Bank loans	16,714,031	-
Accrued deferred arrangement and exit fees	1,335,357	-
Director's loan (note 20)	-	213,000
	<u>18,049,388</u>	<u>213,000</u>

	2014 £	2013 £
Bank loans	18,923,793	23,512,954
Arrangement and exit fees	(1,309,762)	-
	<u>17,614,031</u>	<u>23,512,954</u>

The maturity of the above amounts is as follows:

In one year or less, or on demand	900,000	23,512,954
In more than one year but not more than two years	950,000	-
In more than two years but not more than five years	17,073,793	-
	<u>18,923,793</u>	<u>23,512,954</u>

In the current year, the Company refinanced its existing borrowings into two term loans which extend until January 2019. The new facilities are secured by first standard securities bond and floating charge over the property and assets of the Company. The loans bear interest at rates of 3.25% and 3.75% over LIBOR, with 3.25% plus LIBOR applying to all loans from 1 August 2014.

The Company 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.

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

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

In the prior year, the long term risk of interest rates was managed by an interest rate cap and collar (hedging interest between a maximum and minimum level). At 31 October 2013 the fair value of the complex interest rate hedge was a liability of £1,565,282.

In the current year this agreement was terminated and an interest rate cap was put in place. As at 31 October 2014 the fair value of the interest rate cap was a liability of £35,714.

13. Provisions for liabilities

	2014 £	2013 £
Deferred taxation (note 7)	28,220	21,715

Deferred tax has not been provided in relation the accelerated capital allowances on heritable property and revaluation gains on heritable property. This is on the basis of FRS paragraphs 9 and 14. The amounts not provided are £715k (2013: £689k).

14. Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid 1,000,000 ordinary shares of 10p each	100,000	100,000

15. Movements on reserves

	Revaluation reserve £	Other reserves £	Profit and loss account £	Total £
At 1 November 2013	3,770,958	14,700	11,628,907	15,414,565
Loss for the financial year	-	-	(4,795,676)	(4,795,676)
Dividends Paid	-	-	(639,900)	(639,900)
At 31 October 2014	3,770,958	14,700	6,193,331	9,978,989

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

16. Reconciliation of movements in shareholder's funds

	2014 £	2013 £
(Loss)/profit for the financial year	(4,795,676)	390,453
Dividends paid	(639,900)	
Net (reduction in)/addition to shareholder's funds	(5,435,576)	390,453
Opening shareholder's funds	15,514,565	15,124,112
Closing shareholder's funds	<u>10,078,989</u>	<u>15,514,565</u>

17. Dividends

Amounts recognised as distributions to shareholders in the period

	2014 £	2013 £
Dividend for year ended 31 October 2014 of 63.99p per £0.10 ordinary share	<u>639,900</u>	

The dividend from the company was paid to The Town House Collections Holdings Limited and is disclosed in the Group accounts.

18. Pension schemes

During the year the Company paid contributions into the Company's defined contribution pension scheme amounting to £25,588 (2013: £22,267) as detailed in note 3. There were no amounts outstanding or prepaid at either year end.

19. Ultimate parent and 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 financial statements 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.

The Town House Company Limited

Notes to the financial statements (continued) For the year ended 31 October 2014

20. Related party transactions

During the year the Company incurred costs of £1,041 (2013: £776) invoiced by Ezone Interactive LLP. Ezone Interactive LLP is owned by Mr Iain Taylor, a director of the company. As at 31 October 2014 there was £564 owed to this related party (2013: £nil). Subsequent to the year end the loan was fully repaid.

Consultancy fees of £nil (2013: £36,750) were paid or incurred during the year to a company controlled by Graeme Bissett, a director of the company, in respect of project-related consultancy services. As at 31 October 2014 no balance was outstanding with this related party (2013: £5,400).

No amounts (2013: £293,000) are due to Peter Taylor, a director of the Company, by way of a director's loan (notes 11 and 12). In the current year £65,000 (2013: £nil) was paid to Peter Taylor in respect of interest on the director loan that was determined and agreed in the year as part of the group entering into new lending facilities. This was recharged to Blythwood Square Limited.