Financial Statements
Etchecan Limited

For the period from 28 January 2013 to 26 January 2014

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COMPANIES HOUSE

Registered number: SC235178

SC 227138.
PORT

Company Information

Directors	J A Brown A Higgins W Paisley B Hutchison S F Valentine
Company secretary	HBJG Secretarial Limited
Registered number	SC235178
Registered office	Exchange Tower 19 Canning Street EDINBURGH EH3 8EH
Independent statutory auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 7 Exchange Crescent Edinburgh EH3 8AN
Financial Advisers	Noble Grossart Limited 48 Queen Street EDINBURGH EH2 3NR
Bankers	Bank of Scotland 3-5 Albyn Place ABERDEEN AB10 1PY Allied Irish Bank (GB) 19 Charlotte Square EDINBURGH EH2 4DE
Solicitors	HBJ Gateley LLP Exchange Tower 19 Canning Street EDINBURGH EH3 8EH

Etchecan Limited

Tax Advisers

Robertson Craig & Co
3 Clairmont Gardens
GLASGOW
G3 7LW

Contents

Directors' Report

For the period ended 26 January 2014

The directors present their annual report and the financial statements for the period ended 26 January 2014.

Results and dividends

The profit for the period, after taxation and minority interests, amounted to £2,051k (2013 - £1,630k). The current period figure includes a one-off gain on sale of £80k on the disposal of non-core property, making the like for like figure £1,971k.

Particulars of dividends are detailed in note 21 to the financial statements.

Future developments for the business

The directors continue to review the competition and seek opportunities for growth within the current estate together with existing and new geographical markets within the UK. They believe that through continual strategic investment in both properties and staff through training and development that a competitive edge will be maintained to enable further future growth within the group. Since acquisition, the group have refurbished 96% of the room stock with the balance programmed for completion during the current year.

As always there are mixed views on the general economy, however it is the directors' belief that, whilst challenging, the current level of sales and operating profits should be maintained in the coming year through a determined and professional approach to group sales, marketing and yield management activities, all underpinned by an integrated IT platform. The anticipated impact of cost inflation will again be minimised by continuing efforts to maximise usage efficiencies and drive purchasing synergies across the group by working closely in partnership with key suppliers to ensure best value is obtained.

Financial risk management objectives and policies

The group is funded by financial instruments including loans, cash and operational items, such as trade debtors and trade creditors which have inherent financial risk. The Board prudently manages these financial risks in the manner shown below. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

Financial Risk
Financial risk encompasses currency risk, price risk, liquidity risk, insurance risk and interest rate risk. The group's policies for managing the fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Insurance risk
The directors put in place appropriate insurance policies in the following areas: property, employer and public liability, consequential loss and director and officer cover. Annual reviews are undertaken to ensure that cover is maintained and in appropriate areas and at levels sufficient to protect the business.

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by significant cash balances and overdraft facilities as required within subsidiary companies.

Currency risk
The group is not exposed to currency risk as all transactions and balances are denominated in sterling.

Directors' Report
For the period ended 26 January 2014

Price risk
The group is not exposed to price risk as it does not hold any financial instruments subject to pricing by third parties.

Credit risk
The group's principal financial assets are cash and trade debtors. The principle credit risk therefore arises from trade debtors. In order to manage credit risk the directors set limits for customers based on references from an independent credit reference agency. Credit limits are reviewed by the group financial controller on a regular basis in conjunction with debt ageing and collection history.

Interest rate risk
The interest rate risk is mitigated by having in place an interest rate floor and a cap of £5 million, which is shown within fixed, as current rates are below the floor. Interest rate risk is also mitigated by having a ladder swap arrangement in place for £6.3 million, again shown as fixed as current rates are below the current charge rate on the instrument. The interest rate exposure of the financial assets and liabilities of the group at 26 January 2014 is shown in the table below. The table includes trade debtors and trade creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

Interest rate risk	Fixed £'000	Floating £'000	Zero £'000	**Total £'000**
Financial Assets				
Cash	-	4,552	-	**4,552**
Trade debtors	-	-	861	**861**
	-	4,552	861	**5,413**
Financial Liabilities				
Bank loans	11,341	13,565	-	**24,906**
Trade creditors	-	-	536	**536**
	11,341	13,565	536	**25,442**

Directors

The directors who served during the period and their interests in the group's issued share capital and their beneficial interests in the shares of the company were as follows:

		Shares of £1 each	
		2014	2013
J A Brown	"A" Ordinary shares	**200**	200
C J Paton (resigned 29 March 2013)	"B" Ordinary shares	**350**	350
A Higgins		-	-
W Paisley		-	-
B Hutchison (appointed 7 February 2013)		-	-
S F Valentine (appointed 7 February 2013)		-	-

Directors' Report
For the period ended 26 January 2014

Fixed Assets

In line with independent valuations, the directors are of the opinion that the market value of the portfolio of assets continues to be materially in excess of the carrying value in the financial statements. These valuations have not been incorporated within the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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 the group and of the profit or loss of the group 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

During the period the company made charitable donations of £30,000 (2013: £30,000).

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the period, regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' Report
For the period ended 26 January 2014

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business review section of the Group Strategic Report on pages 5 and 6.

In addition the Directors' Report includes the group's financial risk management objectives and policies. These cover the principal areas of perceived risk including: financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

Group trading forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should continue to generate positive cash flows for the foreseeable future. Current and projected results suggest that no net overdraft borrowing will be required on a group basis.

The group has considerable financial resources, well-structured term facilities, and trading assets located across different geographic areas. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Alan Higgins
Director

Date: 24 June 2014

Group Strategic Report
For the period ended 26 January 2014

Introduction

The principal activity of the group during the year was that of hoteliers and the provision of strategic and operational management services.

Business review

Financial overview
The group enjoyed a further year of growth, with turnover for the period to 26 January 2014 amounting to £15.5 million, an increase of £0.7 million or 4.5% on the prior period figure of £14.8 million. After adjusting for a one-off gain on sale on the disposal of non-core property, profit before tax was £2.5 million, an increase of £0.4 million, up 18% against the prior period figure of £2.1 million. This is an extremely gratifying result and continues to build upon the growth delivered in previous years.

The directors continue to be delighted with the trading performance and asset improvement programme delivered during the period and are of the opinion that the group is well positioned to continue to trade successfully within its target markets.

Financial performance
Financial performance during the period can be analysed as follows:

Financial performance	**Period from 28 January 2013 to 26 January 2014**	Period from 30 January 2012 to 27 January 2013	Change
	£'000	£'000	%
Turnover	**15,512**	14,847	4.5
Gross Profit	**14,034**	13,381	4.9
Profit before tax and one-off gain on sale of non-core property	**2,502**	2,126	17.7

Strategy
The group strategy during the period continues to be that of positioning its hotels and associated facilities as those of choice for the business and leisure guest. This strategy is underpinned by the continual reinvestment in the group's property portfolio together with significant resources devoted to IT, e commerce and distribution and staff training and development. This is critical in markets where the consumer has a choice and by focusing on these key elements the group should ensure that it is well placed to maintain its market position.

Turnover
Sales have risen by 4.5% to £15.5 million, a positive result given the competitive nature of some of the local markets in which the group operates.

Gross profit
Gross margins achieved equated to 90.5% improving upon both the prior period and budget expectations. This is considered more than acceptable and demonstrates the effectiveness of maintaining close working, commercially focused relationships with major suppliers to the group.

The forward view remains relatively positive with continued effort being focused on the supply chain to ensure maximum efficiencies. Inflationary pressures on global commodity purchases may have a limited adverse impact.

Group Strategic Report (continued)

Operating costs
There was an overall increase of £252k in operating costs, partly volume related as a result of the sales increase together with general inflationary pressures. Operating cost efficiencies have been evident with an improvement of over 1% in the period after adjusting for an £80k gain on sale of fixed assets in one of the subsidiaries.

Focus continues to be placed on controlling the overhead base of the group through supply chain management and operational efficiency measures.

Capital expenditure
The group continues to embark upon a sustained programme of asset management and improvement by ensuring adequate sums are available to refurbish and maintain the hotel properties to a high level to promote guest satisfaction and efficiency of operation. In line with our ongoing 10 year asset management programme, and the needs of our individual businesses, hotel refurbishment during the period amounted to £0.6m. This brings the total investment in our properties to circa £8.6 million over the past 10 years.

Levels of investment vary from year to year as determined by an asset management programme, covering a rolling 10 year period.

Financial key performance indicators

	Actual	Prior period
Sales growth (%)	**4.5**	4.0
Gross profit margin (%)	**90.5**	90.1
Operating profit before gain on sale of non-core property (%)	**21.4**	20.2
Capital expenditure, including acquisitions (£000)	**550**	990

Principal risks and uncertainties

The management of the business and nature of the group's activities are subject to a number of risks.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all of the risks identified below. Where possible, processes are in place to monitor and mitigate such risks. The directors have set out below the principal risks facing the business.

Economic downturn
The success of the business is in part dependent upon business and consumer spending. A marked reduction in such spending will impact on group income, however minor fluctuations will have little effect.

In response to this risk, senior management review general economic conditions together with the micro economic conditions prevalent in each of its trading locations. Should severe downturns be predicted or occur, marketing and pricing strategies would be modified to reflect the new market conditions.

Importantly, operational efficiency of the business units is also continually monitored and challenged to ensure that best value is extracted from all areas.

Costs
Energy continues to be a significant cost item to the group and as a major consumer the group has continued to adopt a prudent approach to mitigate risk and has in place both annual and bi annual fixed price contracts for the supply of electricity and gas.

Other costs are continually monitored and where possible subject to fixed term contractual pricing agreements.

Recognising the potential to drive consumption efficiencies and reduce any impact on the environment, the group continually reviews its heating, lighting and ventilation installations in conjunction with professional advisors and environmental agencies to ensure that maximum efficiency is obtained.

Group Strategic Report (continued)

Competition
Local competition exists in each of the group's geographical markets. As a result pressure may be applied to pricing and/or the level of service provided to customers. Diligent and continuous market research of prices, offerings and forthcoming events is in place to ensure this risk is minimised.

Product
Due to the market in which the group operates the quality of offering to the guest is of prime importance. Accordingly should any of the guest areas fall into a state of disrepair there is a risk of losing business.

To mitigate this risk the directors and senior management operate an asset management programme to ensure each property is maintained to a high level to maximise guest satisfaction and operational efficiency.

Financing
Banking facilities continue to remain on favourable terms. No additional facilities have been sought during the period.

The scheduled capital repayment programme on a portion of the group's term debt continues in line with the terms of the facility, and additionally a market rated facility in one of the subsidiaries was paid down by £1.5 million following the profitable disposal of development property.

An appropriate mix of fixed and variable rate facilities are utilised to ensure that the impact of rate fluctuations on the business are minimised. Fixed rate products remain constantly under review, with forward rate interest hedges contracted at rates below those currently hedged. These forward start rates are set to expire in line with the primary term facilities of the group.

This report was approved by the board and signed on its behalf.

Alan Higgins
Director

Date: 24 June 2014

Grant Thornton

Independent Auditor's Report to the Shareholders of Etchecan Limited

We have audited the financial statements of Etchecan Limited for the period ended 26 January 2014 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated reconciliation of net cashflow to movement in net and the related notes. 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 set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 26 January 2014 and of the group's profit for the 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 Group strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

GrantThornton

Independent Auditor's Report to the Shareholders of Etchecan Limited

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Grant Thornton UK LLP

DIANA PENNY (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Edinburgh

Date: 30 June 2014

Consolidated Profit and Loss Account

For the period ended 26 January 2014

	Note	26 January 2014 £000	27 January 2013 £000
Turnover	1,2	**15,512**	14,847
Cost of sales		**(1,478)**	(1,466)
Gross profit		**14,034**	13,381
Operating costs		**(10,628)**	(10,376)
Operating profit	3	**3,406**	3,005
Interest receivable and similar income		**15**	2
Interest payable and similar charges	7	**(839)**	(881)
Profit on ordinary activities before taxation		**2,582**	2,126
Tax on profit on ordinary activities	8	**(490)**	(468)
Profit on ordinary activities after taxation		**2,092**	1,658
Minority interests	22	**(41)**	(28)
Profit for the financial period	19	**2,051**	1,630

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 14 to 32 form part of these financial statements.

Consolidated Balance Sheet
As at 26 January 2014

	Note	£000	26 January 2014 £000	£000	27 January 2013 £000
Fixed assets					
Positive goodwill		202		221	
Negative goodwill		(412)		(421)	
Net goodwill		(210)		(200)	
Intangible assets	9		(210)		(200)
Tangible assets	10		27,678		29,859
			27,468		29,659
Current assets					
Stocks	12	55		60	
Debtors	13	1,219		1,234	
Cash at bank		4,552		3,332	
		5,826		4,626	
Creditors: amounts falling due within one year	14	(3,853)		(3,665)	
Net current assets			1,973		961
Total assets less current liabilities			29,441		30,620
Creditors: amounts falling due after more than one year	15		(24,532)		(26,272)
Provisions for liabilities and charges					
Deferred tax	17		(696)		(803)
Net assets			4,213		3,545
Capital and reserves					
Called up share capital	18		1		1
Revaluation reserve	19		107		107
Capital redemption reserve	19		320		320
Profit and loss account	19		3,800		3,173
Equity shareholders' funds	20		4,228		3,601
Minority interests	22		(15)		(56)
			4,213		3,545

The notes on pages 14 to 32 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

John A Brown
Director

Date: 24 June 2014

Company Balance Sheet
As at 26 January 2014

	Note	£000	26 January 2014 £000	£000	27 January 2013 £000
Fixed assets					
Investments	11		**3,975**		3,975
Creditors: amounts falling due within one year	14		**(3,974)**		(3,974)
Net assets			**1**		1
Capital and Reserves					
Called up share capital	18		**1**		1
Shareholders' Funds	20		**1**		1

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

John A Brown
Director
Date: 24 June 2014

The notes on pages 14 to 32 form part of these financial statements.

Consolidated Cash Flow Statement

For the period ended 26 January 2014

	Note	26 January 2014 £000	27 January 2014 £000
Net cash flow from operating activities	23	**4,635**	4,495
Returns on investments and servicing of finance	24	**(824)**	(879)
Taxation	24	**(543)**	(319)
Capital expenditure and financial investment	24	**1,095**	(990)
Equity dividends paid	21	**(1,424)**	(1,067)
Cash inflow before financing		**2,939**	1,240
Financing	24	**(1,719)**	(385)
Increase in cash in the period		**1,220**	855

Consolidated Reconciliation of Net Cash Flow to Movement in Net Debt

For the period ended 26 January 2014

		26 January 2014 £000	27 January 2013 £000
Increase in cash in the period		**1,220**	855
Cash outflow from decrease in debt and lease financing		**1,719**	385
Movement in net debt in the period		**2,939**	1,240
Net debt at 28 January 2013		**(23,293)**	(24,533)
Net debt at 26 January 2014	25	**(20,354)**	(23,293)

The notes on pages 14 to 32 form part of these financial statements.

Notes to the Financial Statements

For the period ended 26 January 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards and the Companies Act 2006.

The accounting policies have been applied consistently throughout.

It is no longer the policy of the group to incorporate revaluations of fixed assets.

1.2 Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the and business review section of the Group Strategic Report on pages 5-6.

In addition the report includes the group's financial risk management objectives and policies. These cover the principal areas of perceived risk including: financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

Group trading forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should continue to generate positive cash flows for the foreseeable future. Current and projected results suggest that no net overdraft borrowing will be required on a group basis.

The group has considerable financial resources, well structured term facilities, and trading assets located across different geographic areas. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Notes to the Financial Statements
For the period ended 26 January 2014

1. Accounting Policies (continued)

1.4 Turnover

Turnover is derived from two principal sources: owned and leased properties and management fees.

Turnover from owned and leased properties arises from the provision of accommodation, food and beverage sales, corporate events, leisure club memberships, room hire and associated services. Revenue is recognised when the respective service has been fully provided.

Turnover from management fees arises from the provision of management services to hotels managed by the group under long term contracts. Revenue is recognised when earned and realisable under the terms of the contract.

1.5 Intangible fixed assets and amortisation

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition.

Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

Negative goodwill is written back to the profit and loss account to match the recovery of the identifiable non-monetary assets acquired.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	5% straight line
Negative goodwill	-	2% straight line

Notes to the Financial Statements
For the period ended 26 January 2014

1. Accounting Policies (continued)

1.6 Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost. Finance costs that are directly attributable to the refurbishment or extension of an asset whilst the asset is in development and not revenue generating are capitalised as part of the cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	-	freehold land and core buildings are not depreciated; non core buildings 2% straight line per annum
Long-term Leasehold property	-	over the term of the lease
Plant & machinery	-	10% straight line per annum
Fixtures & fittings	-	10 - 25% straight line per annum

Expenditure on repairs and renewals is charged to the profit and loss account at the time of expenditure. Major refurbishment projects forming part of the planned programme of maintaining the properties in a good state of repair are capitalised at cost under the appropriate asset category and depreciated in accordance with the accounting policy. Any net book value attributable to the asset concerned is written off to the profit and loss account when refurbishment takes place.

1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.8 Leasing and hire purchase

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.9 Stocks

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

Notes to the Financial Statements
For the period ended 26 January 2014

1. Accounting Policies *(continued)*

1.10 Deferred taxation

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate enacted or substantially enacted at the balance sheet date.

1.11 Financial Instruments

The only equity instruments the group has are ordinary shares which do not have any terms which require them to be classified as financial instruments. Dividends and distributions relating to equity instruments are debited direct to equity.

Financial liabilities are classified according to the contractual arrangements entered into. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

1.12 Pension costs

The group operates a stakeholder pension scheme on behalf of its employees. No contributions were made by the group in respect of this scheme during the current or prior periods. The group also offers a salary sacrifice option in respect of contributions to pension schemes held by certain employees and directors.

1.13 Derivatives

The group uses derivative financial instruments to manage interest rate risk associated with the financing of the underlying business activities. The group uses an interest cap and floor arrangement and a ladder swap arrangement, the terms of which are explained in note 31. The group has not adopted the Companies Act fair value accounting rules and so applies FRS4: "Capital Instruments" and the presentation requirements of FRS25: "Financial instruments Presentation". This means that the terms of the derivatives are disclosed but not brought onto the balance sheet.

Notes to the Financial Statements

For the period ended 26 January 2014

2. Turnover

The turnover and profit before tax are attributable to the two main activities of the group. An analysis of turnover is given below:

	26 January 2014 £000	27 January 2013 £000
United Kingdom	**15,512**	14,847

3. Operating profit

The operating profit is stated after charging/(crediting):

	26 January 2014 £000	27 January 2013 £000
Amortisation - intangible fixed assets	**10**	10
Depreciation of tangible fixed assets:		
- owned by the group	**1,097**	1,067
(Gain)/Loss on disposal of fixed assets	**(11)**	40

4. Auditor's remuneration

	26 January 2014 £000	27 January 2013 £000
Fees payable to the group's auditor for the audit of the annual accounts of the parent company and its subsidiaries	**19**	19
Fees payable to the group's auditor in respect of:		
Other accounting services	**6**	6

Notes to the Financial Statements

For the period ended 26 January 2014

5. Staff costs

Staff costs were as follows:

	26 January 2014 £000	27 January 2013 £000
Wages and salaries	4,653	4,411
Social security costs	305	303
Other pension costs	15	50
	4,973	4,764

The average monthly number of employees, including the directors, during the period was as follows:

	26 January 2014 No.	27 January 2013 No.
Number of corporate office staff	12	12
Number of hotel staff and management	299	284
	311	296

6. Directors' remuneration

Remuneration in respect of directors was as follows:

	26 January 2014 £000	27 January 2013 £000
Remuneration receivable (excluding pension)	523	279
Other pension costs	5	50
Total	528	329

The highest paid director received remuneration (excluding pension contributions) of £166k (2013: £154k). Four directors received pension contributions of £5k (2013: one director received £50k).

7. Interest payable

	26 January 2014 £000	27 January 2013 £000
Interest payable on bank borrowing	839	881

Notes to the Financial Statements

For the period ended 26 January 2014

8. Taxation

	26 January 2014 £000	27 January 2013 £000
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	597	494
Deferred tax (see note 17)		
Origination and reversal of timing differences	(107)	(26)
Tax on profit on ordinary activities	490	468

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 23.17% (2013 - 24.34%). The differences are explained below:

	26 January 2014 £000	27 January 2013 £000
Profit on ordinary activities before tax	2,582	2,126
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.17% (2013 - 24.34%)	601	520
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	(2)
Capital allowances for period in excess of depreciation	7	17
Non qualifying depreciation	35	27
Other timing differences leading to an increase (decrease) in taxation	1	-
Book profit on chargeable assets	(19)	-
Marginal relief	(2)	-
Relief for losses brought forward	(26)	(68)
Current tax charge for the period (see note above)	597	494

Factors that may affect future tax charges

The UK Corporation tax rate of 23% took effect from 1 April 2013.

Further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include changes to reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As these changes have been substantively enacted at the balance sheet date their effects have been included in these financial statements.

Notes to the Financial Statements

For the period ended 26 January 2014

9. Intangible fixed assets

Group	Positive goodwill £000	Negative goodwill £000	Total £000
Cost			
At 28 January 2013 and 26 January 2014	**375**	**(467)**	**(92)**
Amortisation			
At 28 January 2013	**154**	**(46)**	**108**
Charge for the period	**19**	**(9)**	**10**
At 26 January 2014	**173**	**(55)**	**118**
Net book value			
At 26 January 2014	**202**	**(412)**	**(210)**
At 27 January 2013	221	(421)	(200)

Negative goodwill is in respect of the past purchase of minority interests in Hotel Property Fund (Syndicate 1) Limited. It is being amortised over 50 years, in line with the significant underlying assets of the subsidiary.

Notes to the Financial Statements
For the period ended 26 January 2014

10. Tangible fixed assets

Group	Freehold property £000	Long-term Leasehold property £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Cost or valuation					
At 28 January 2013	17,405	4,881	950	12,965	36,201
Additions	54	-	-	496	550
Disposals	(1,560)	-	-	(337)	(1,897)
Transfer between classes	9	(9)	-	-	-
At 26 January 2014	15,908	4,872	950	13,124	34,854
Depreciation					
At 28 January 2013	284	760	888	4,410	6,342
Charge for the period	46	65	13	973	1,097
On disposals	-	-	-	(263)	(263)
At 26 January 2014	330	825	901	5,120	7,176
Net book value					
At 26 January 2014	15,578	4,047	49	8,004	27,678
At 27 January 2013	17,121	4,121	62	8,555	29,859

Included within the net book value of £28 million is interest incurred during the purchase and refurbishment of properties amounting to £106k (2013: £106k).

In line with independent valuations carried out between 2010 and 2013, the market value of the portfolio of assets continues to be materially in excess of the carrying value in the financial statements.

Notes to the Financial Statements

For the period ended 26 January 2014

11. Fixed asset investments

Company	Investments in subsidiary companies £000
Cost	
At 28 January 2013 and 26 January 2014	**3,975**
Net book value	
At 26 January 2014	**3,975**
At 27 January 2013	3,975

12. Stocks

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	**26 January 2014 £000**	27 January 2013 £000
Goods for resale	**55**	60	**-**	-

13. Debtors

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	**26 January 2014 £000**	27 January 2013 £000
Trade debtors	**861**	839	**-**	-
Other debtors	**31**	52	**-**	-
Prepayments and accrued income	**327**	343	**-**	-
	1,219	1,234	**-**	-

Notes to the Financial Statements
For the period ended 26 January 2014

14. Creditors:
Amounts falling due within one year

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	**26 January 2014 £000**	27 January 2013 £000
Bank loans (note 16)	**374**	353	-	-
Trade creditors	**536**	558	-	-
Amounts owed to group undertakings	-	-	**3,974**	3,974
Corporation tax	**448**	394	-	-
Other taxation and social security	**429**	427	-	-
Other creditors	**1,097**	1,063	-	-
Accruals and deferred income	**969**	870	-	-
	3,853	3,665	**3,974**	3,974

15. Creditors:
Amounts falling due after more than one year

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	**26 January 2014 £000**	27 January 2013 £000
Bank loans (note 16)	**24,532**	26,272	-	-

Hotel Property Fund (Syndicate 1) Limited, Hotel Property Fund (Syndicate 2) Limited, Speedbird Developments Limited and Huntingtower Hotel (Perth) Limited have granted a bond and floating charge over their assets in favour of the Bank of Scotland. These companies have also granted a standard security over their property to secure the borrowings of these fellow subsidiaries.

Lauriston Hotels Limited has granted a standard security in favour of the Allied Irish Bank (GB) over its freehold property and a bond and floating charge over the whole assets of that company.

The principal terms of the bank loans can be summarised as follows:

The group's primary facilities provided by Bank of Scotland amounting to £22.6m (2013: £22.8m), which mature during December 2021, bear interest at an overall rate of base rate plus 1%. In addition, floor and cap and ladder swap arrangements were put in to protect against interest rate movements on £11.3m (2013: £12m) of term debt. The interest rates on these instruments before the bank's margin currently range from 2.25% to 4.9%. Capital repayments during period amounted to £252k (2013: £385k).

Allied Irish Bank (GB) provide term facilities amounting to £2.3m, which mature during March 2019, and bear an interest rate of 3m LIBOR plus 2.8% (2013: £3.767m which was due to mature in March 2014 but was renegotiated during the year). Capital repayments during the period amounted to £1,467k (2013: £100k).

Notes to the Financial Statements

For the period ended 26 January 2014

16. Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:	Group 26 January 2014 £000	Group 27 January 2013 £000	Company 26 January 2014 £000	Company 27 January 2013 £000
Amounts repayable:				
In one year or less or on demand	374	353	-	-
In more than one year but not more than two years	381	3,923	-	-
In more than two years but not more than five years	1,187	785	-	-
In more than five years	22,964	21,564	-	-
	24,906	26,625	-	-

	Group 26 January 2014 £000	Group 27 January 2013 £000	Company 26 January 2014 £000	Company 27 January 2013 £000
Wholly repayable within five years:				
Repayable by installments	1,942	1,394	-	-
Repayable other than by installments	-	3,667	-	-
	1,942	5,061	-	-
Not wholly repayable within five years:				
Repayable by installments	2,494	1,094	-	-
Repayable other than by installments	20,470	20,470	-	-
	22,964	21,564	-	-
	24,906	26,625	-	-

Notes to the Financial Statements
For the period ended 26 January 2014

17. Deferred taxation

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	26 January 2014 £000	27 January 2013 £000
At beginning of period	803	829	-	-
Released during the period (note 8)	(107)	(26)	-	-
At end of period	696	803	-	-

The provision for deferred taxation is made up as follows:

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	26 January 2014 £000	27 January 2013 £000
Excess of taxation allowances over depreciation of fixed assets	704	822	-	-
Other timing differences	(8)	(6)	-	-
Tax losses available	-	(13)	-	-
	696	803	-	-

18. Share capital

	26 January 2014 £000	27 January 2013 £000
Allotted, called up and fully paid		
1,000 Called-up equity share capital shares of £1 each	1	1

The authorised, called up and fully paid shares comprised of 500 "A" Ordinary Shares of £1 each (2013: 500) and 500 "B" Ordinary Shares of £1 each (2013: 500).

Notes to the Financial Statements

For the period ended 26 January 2014

19. Reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At 28 January 2013	320	107	3,173
Profit for the period			2,051
Equity dividends			(1,424)
At 26 January 2014	320	107	3,800

Company	Profit and loss account £000
Profit for the period	1,424
Equity dividends	(1,424)
At 26 January 2014	-

20. Reconciliation of movement in shareholders' funds

Group	26 January 2014 £000	27 January 2013 £000
Opening shareholders' funds	3,601	3,038
Profit for the period	2,051	1,630
Equity dividends (Note 21)	(1,424)	(1,067)
Closing shareholders' funds	4,228	3,601

Company	26 January 2014 £000	27 January 2013 £000
Opening shareholders' funds	1	1
Profit for the period	1,424	1,067
Equity dividends (Note 21)	(1,424)	(1,067)
Closing shareholders' funds	1	1

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The profit for the period dealt with in the accounts of the company was £1,424k (2013 - £1,067k).

Notes to the Financial Statements

For the period ended 26 January 2014

21. Dividends paid

	26 January 2014 £000	27 January 2013 £000
Dividends on shares classed as equity		
Equity dividends on "A" ordinary shares	650	500
Equity dividends on "B" ordinary shares	774	567
	1,424	1,067

22. Minority interests

This represents the shareholding of minority interests in subsidiaries together with their share of the profits or losses of those subsidiaries.

23. Net cash flow from operating activities

	26 January 2014 £000	27 January 2013 £000
Operating profit	3,406	3,005
Amortisation of intangible fixed assets	10	10
Depreciation of tangible fixed assets	1,097	1,067
(Profit)/loss on disposal of tangible fixed assets	(11)	40
Decrease/(increase) in stocks	5	(7)
Decrease in debtors	15	6
Increase in creditors	113	374
Net cash inflow from operating activities	**4,635**	4,495

24. Analysis of cash flows for headings netted in cash flow statement

	26 January 2014 £000	27 January 2013 £000
Returns on investments and servicing of finance		
Interest received	15	2
Interest paid	(839)	(881)
Net cash outflow from returns on investments and servicing of finance	(824)	(879)

Notes to the Financial Statements

For the period ended 26 January 2014

24. Analysis of cash flows for headings netted in cash flow statement (continued)

	26 January 2014 £000	27 January 2013 £000
Taxation		
Corporation tax paid	(543)	(319)

	26 January 2014 £000	27 January 2013 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(550)	(990)
Sale of tangible fixed assets	1,645	-
Net cash inflow/(outflow) from capital expenditure	1,095	(990)

	26 January 2014 £000	27 January 2013 £000
Financing		
Repayment of loans	(1,719)	(385)

25. Analysis of changes in net debt

	28 January 2013 £000	Cash flow £000	Other non-cash changes £000	26 January 2014 £000
Cash at bank and in hand	3,332	1,220	-	4,552
Debt:				
Debts due within one year	(353)	1,719	(1,740)	(374)
Debts falling due after more than one year	(26,272)	-	1,740	(24,532)
Net debt	(23,293)	2,939	-	(20,354)

26. Contingencies

Speedbird Developments Limited, Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited and Hotel Property Fund (Syndicate 2) Limited have entered into all sums cross guarantees in respect of the indebtedness to Bank of Scotland of Speedbird Developments Limited, Huntingtower Hotel (Perth) Limited, Hotel Property Fund (Syndicate 1) Limited and Hotel Property Fund (Syndicate 2) Limited. The total indebtedness at 26 January 2014 with the Bank of Scotland was £18.3 million (2013: £19.8 million).

Notes to the Financial Statements

For the period ended 26 January 2014

27. Capital commitments

At 26 January 2014 the group and company had capital commitments as follows:

	Group		Company	
	26 January 2014 £000	27 January 2013 £000	**26 January 2014 £000**	27 January 2013 £000
Contracted for but not provided in these financial statements	**124**	148	-	-

28. Operating lease commitments

At 26 January 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings		Other	
Group	**26 January 2014 £000**	27 January 2013 £000	**26 January 2014 £000**	27 January 2013 £000
Expiry date:				
Between 2 and 5 years	-	-	-	3
After more than 5 years	**378**	378	-	-

29. Related party transactions

During the period a subsidiary charged Piersland House Hotel Company Limited and Piersland Inns LLP consulting fees for administration, marketing and IT services amounting to £10k (2013: £11k). The group continues to have no involvement or participation other than the provision of consulting services and accordingly has no executive, management or operational control over these entities. The entities were under the control of Mr J A Brown, a director of Etchecan Limited. At 26 January 2014 the subsidiary company was owed £2k (2013: £2k) by Piersland House Hotel Company Limited and Piersland Inns LLP.

The group has taken advantage of exemptions allowed under FRS 8 enabling it not to report related party transactions between wholly owned subsidiaries.

One of the group's subsidiaries, Hotel Property Fund (Syndicate 1) Limited, was owed £1,331k by other companies within the group at 26 January 2014 (2013: £1,096k). The subsidiary owed £8k to other companies within the group at 26 January 2014 (2013: £22k). During the year, the subsidiary paid £223k (2013: £195k) to a fellow subsidiary in respect of management services provided to it during the year, and received rent of £15k (2013: £15k) from the same subsidiary.

Another of the group's subsidiaries, Hotel Property Fund (Syndicate 2) Limited, was owed £384k by other group companies at 26 January 2014 (2013: £420k). The subsidiary owed £11k (2013: £22k) to other companies within the group at 26 January 2014. During the year, the subsidiary paid £197k (2013: £152k) to a fellow subsidiary in respect of management services provided to it during the year.

Notes to the Financial Statements

For the period ended 26 January 2014

30. Principal subsidiaries

The dormant subsidiaries listed below are exempt from the requirements to prepare individual accounts under section 394A of the Companies Act 2006 for the year ended 26 January 2014.

All held by the company	Country of incorporation	Proportion of voting rights and holding shares held	Nature of business	Registered Number
Huntingtower Hotel (Perth) Limited	Scotland	Ordinary Shares 100%	Hoteliers	SC059734
Speedbird Developments Limited	Scotland	Ordinary Shares 100%	Hoteliers	SC110805
Lauriston Hotels Limited	Scotland	Ordinary Shares 100%	Hoteliers	SC236846
Hotel Property Fund (Syndicate 1) Limited	Scotland	Ordinary Shares 92%	Hoteliers	SC260844
Hotel Property Fund (Syndicate 2) Limited	Scotland	Ordinary Shares 92%	Hoteliers	SC292735
Portland Hotel Management Limited	Scotland	Ordinary Shares 100%	Hotel Management	SC230713
Portland Hotels Limited	Scotland	Ordinary Shares 100%	Dormant	SC227138
Portland Facilities Management Limited	Scotland	Ordinary Shares 100%	Dormant	SC237544
PCPB LLP	Scotland	Ordinary Shares 100%	Dormant	SO300011
Hotel Property Fund (Syndicate 3) Limited	Scotland	Ordinary Shares 100%	Dormant	SC354249
Hotel Property Fund (Syndicate 4) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356489
Hotel Property Fund (Syndicate 5) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356490
Hotel Property Fund (Syndicate 6) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356491
Hotel Property Fund (Syndicate 7) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356496
Hotel Property Fund (Syndicate 8) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356498
Hotel Property Fund (Syndicate 9) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356499
Hotel Property Fund (Syndicate 10) Limited	Scotland	Ordinary Shares 100%	Dormant	SC356502

Notes to the Financial Statements

For the period ended 26 January 2014

31. Derivatives

At the year end a subsidiary undertaking held an interest cap and floor arrangement which was fair valued at 26 January 2014 at £nil (2013: £nil) and £(29)k (2013: £(117)k) respectively. The balance sheet value of this instrument is £nil (2013: £nil). This instrument expired post year end in May 2014 and the company has entered into an interest rate swap agreement which commences in June 2014.

Another subsidiary undertaking had a ladder swap arrangement on one of its loans which was fair valued at £(529)k at 26 January 2014 (2013: £(837)k). The balance sheet value of this instrument is £nil (2013: £nil). The current agreement in expires in May 2016 and the company has entered into an interest swap agreement which will commence in June 2016.