

Financial Statements Etchecan Limited

For the period from 31 January 2011 to 29 January 2012



Registered number: SC235178

Etchecan Limited

Company Information

Directors	J A Brown C J Paton A Higgins W Paisley
Company secretary	HBJG Secretarial Limited
Company number	SC235178
Registered office	Exchange Tower 19 Canning Street EDINBURGH EH3 8EH
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1-4 Atholl Crescent Edinburgh EH3 8LQ
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

Etchecan Limited

Solicitors

HBJ Gateley LLP
Exchange House
19 Canning Street
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EH3 8EH

Tax Advisers

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3 Clairmont Gardens
GLASGOW
G3 7LW

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Chairman's Statement

For the period ended 29 January 2012

The chairman presents his statement for the period.

The trading performance of our group has been very impressive during 2011/12. Unlike many other enterprises in our sector we have been fortunate to see like for like sales increase by almost 5% in an economy which is at best 'bumping along the bottom'. This has enabled us to outperform the Provincial UK Hotel Industry with a healthy increase in pre-tax profits over previous years - although at a slightly reduced conversion percentage due to the near 5% inflation in the period. We are hopeful that the predicted decrease in inflation materialises as hotels do not bear this force well.

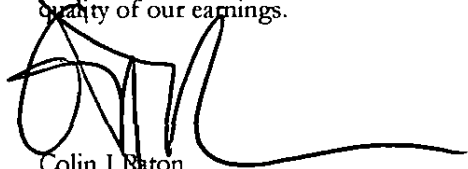
All of our individual units have delivered a very strong performance. Without the Executive, Management and Staff this would not have been possible. Thank you again to all of our employees for their hard work, effectiveness and commitment during the year.

The trading outlook is presently mixed. The much talked about 'Staycation' has without doubt boosted the domestic leisure market for our product - but at the same time demand from the Public, Private and Conference sectors is softer. The European leisure market is also static and possibly in decline with key indicators like Spanish unemployment being at 22%. Another negative sign is Easyjet and Ryanair both removing capacity from their system by reducing flights and mothballing aircraft, the intended result of which is higher occupancies and ticket prices while reducing their own operating cost base. This results however in a further barrier to travel - and a negative for the hotel sector. While hotels and airlines both sell a perishable product - sadly the capacity reduction tactic is seldom a viable option for the Hotel Industry.

Over the last decade the construction of new room stock has been good for tourism - but bad for The Hotel Industry. Outside London, UK Revpar (Revenue per available room) has underperformed inflation while cost pressures have squeezed profitability. Thankfully the risk profile and returns for investors and lenders to new build hotel projects are presently unattractive and therefore the negative impact of this excess of new supply has almost ceased and in some markets supply/demand is balancing. Hopefully an outcome will be a higher level of economic sustainability to hotel enterprises and their stakeholders - staff, customers, suppliers and investors.

It is much to our disappointment that no acquisitions have taken place during the period. Despite the reduced availability of senior debt our principal Banker, LBG/BoS were supportive of the group's expansion plans, indicating that favourable consideration would be given to additional facilities. Market conditions restored some confidence in the first half of the year. From late summer onward however our perception of the risk to trading and asset values caused by the Euro Crisis combined with a lack of quality investment opportunities resulted in the group not increasing the size and geographic distribution of its portfolio and being cautious of the Hotel Real Estate Market.

Now in our 11th year, the group enters 2012/13 in a secure position. Our properties are in demand from our customers, in good condition, in higher performing markets, with well trained unit and head office staff. Our distribution, e-commerce and marketing are effective. The balance sheet is strong. While avoiding complacency we look forward to reporting a continuation of this position in 12 months time and with a further improvement to the quality of our earnings.



Colin J Raton
Chairman & CEO

22 June 2012

Chairman's Statement

For the period ended 29 January 2012

I am pleased to present a summary of our historical trading demonstrating the progress that has been made by the group since year end 2005.

Period ended	Actual 53 wks £'000 Jan-05	Actual 52 wks £'000 Jan-06	Actual 52 wks £'000 Jan-07	Actual 52 wks £'000 Jan-08	Actual 52 wks £'000 Jan-09	Actual 53 wks £'000 Jan-10	Actual 52 wks £'000 Jan-11	Actual 52 wks £'000 Jan-12
Turnover	6,341	8,261	10,101	12,265	12,968	13,046	13,622	14,281
Gross profit	5,508	7,344	8,959	10,926	11,679	11,805	12,323	12,906
Hotel trading EBITDA	2,285	2,598	2,914	3,784	4,382	4,376	4,757	4,735
PBT	387	564	404	746	966	1,340	1,411	1,588
Fixed assets at carrying value	15,185	15,975	26,508	31,899	31,820	31,405	30,342	29,976
Shareholders funds	497	914	858	1,438	2,058	2,108	2,816	3,038
Dividend	200	100	330	330	450	1,020	116	963
Revpar (£'s)	£32.96 No.	£37.19 No.	£39.56 No.	£41.86 No.	£43.46 No.	£42.97 No.	£46.26 No.	£48.05 No.
Employee numbers	211	215	295	289	305	292	280	297
	£	£	£	£	£	£	£	£
Sales per employee (£)	30,052	38,423	34,241	42,439	42,518	44,678	48,650	48,084
Hotel trading EBITDA per employee (£)	10,828	12,082	9,877	13,093	14,368	14,987	16,991	15,943
Average roomstock	348	366	429	521	536	536	536	536
Rooms sold per employee	428	437	365	435	421	449	506	512
Hotel trading EBITDA per available room (£'s)	6,565	7,097	6,792	7,263	8,176	8,165	8,876	8,834

Directors' Report

For the period ended 29 January 2012

The directors present their report and the financial statements for the period ended 29 January 2012.

Principal activities

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

Following a further year of growth, turnover for the period to 29 January 2012 amounted to £14.3 million, an increase of £0.66 million or 4.8% on the prior period. Profit before tax was £1.6 million, an increase of £0.2 million, up 13% against the prior period. This is an extremely gratifying result given the wider economic turmoil that has prevailed during the period.

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. In particular, following an independent revaluation of the majority of the properties, the directors have been advised that the market value of the portfolio of assets remains materially in excess of the carrying value in the group financial statements.

Financial performance

Financial performance during the period can be analysed as follows:

	Period from 31 January 2011 to 29 January 2012	Period from 1 February 2010 to 30 January 2011	Change
	£'000	£'000	%
Turnover	14,281	13,622	4.8
Gross profit	12,906	12,323	4.7
Profit before tax	1,588	1,411	12.5

Strategy

The group strategy during the period continues to be that of striving to position its hotels and associated facilities as those of choice for the business and leisure guest. This strategy is of particular importance during the current economic climate and 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. These elements should ensure that the group is well placed to capitalise as market conditions improve.

Turnover

Sales have risen by 4.8% to £14.3 million, a positive result given the reported economic turmoil that has persisted throughout the period.

Gross profit

Gross margins achieved equated to 90.4% in line with the prior period and with budget expectations. This is considered wholly 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.

Directors' Report

For the period ended 29 January 2012

Operating costs

There was an overall increase of £1.3 million in operating costs. Around £0.5 million of the rise can be attributed to the sales increase, a conservative £0.3 million as a result of inflation with the balance arising in the management company as a result of the timing of pension and remuneration payments.

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 £0.7 million. This brings the total investment in our properties to circa £7.5 million over the past 8 years, allowing a long planned reduction in capital expenditure to materialise.

The investment strategy is key to maintaining the portfolio in good order to retain existing and attract new customers whilst preserving rate in the current economic circumstances.

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

Summary of key performance indicators

	Actual	Prior period
Sales growth (%)	4.8	4.4
Gross profit margin (%)	90.4	90.5
Operating profit (%)	18.2	18.4
Capital expenditure, including acquisitions (£000)	694	993

Future developments

Future developments for the business/ Future outlook

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. During the period a further 5% of the room stock was refurbished to an executive standard, taking this to a figure of almost 95% from the original acquisition date.

Whilst there are mixed views on the general economy, it is the directors' belief that the current level of sales and operating profits will be maintained in the coming year through a determined and professional approach to group sales and marketing and yield management activities 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.

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.

Directors' Report

For the period ended 29 January 2012

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.

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.

An appropriate mix of fixed and variable rate facilities are utilised to ensure that the impact of rate fluctuations on the business are minimised.

Results and dividends

The profit for the period, after taxation and minority interests, amounted to £1,185k (2011 - £824k).

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

Directors' Report

For the period ended 29 January 2012

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.

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.

Directors' Report

For the period ended 29 January 2012

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 £7 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 29 January 2012 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.

	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Financial assets				
Cash	-	2,477	-	2,477
Trade debtors	-	-	907	907
	-	2,477	907	3,384
Financial liabilities				
Bank Loans	12,000	15,010	-	27,010
Trade creditors	-	-	605	605
	12,000	15,010	605	27,615

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	
		From 31 January 2011 to 29 January 2012	From 1 February 2010 to 30 January 2011
J A Brown	"A" Ordinary shares	200	200
C J Paton	"B" Ordinary shares	500	500
A Higgins		-	-
W Paisley		-	-

Fixed Assets

The directors are of the opinion that the open market value of the hotel properties is in excess of the carrying value in the financial statements.

Directors' Report

For the period ended 29 January 2012

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 (2011: £15,700). No political donations were made during this or the preceding period.

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

Directors' Report

For the period ended 29 January 2012

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 Principal activities and business review section of the Report of the directors on pages 3-5.

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.

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

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



Colin J Paton
Director

22 June 2012



Independent Auditor's Report to the Members of Etchecan Limited

We have audited the financial statements of Etchecan Limited for the period ended 29 January 2012, which comprise the group Profit and loss account, the group and company Balance sheets, the group Cash flow statement 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, 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

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board'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 29 January 2012 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members 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

ROBERT HANNAH (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Edinburgh

Date: 27/6/12

Consolidated Profit and Loss Account

For the period ended 29 January 2012

	Note	2012 £000	2011 £000
Turnover	1,2	14,281	13,622
Cost of sales		(1,375)	(1,299)
Gross profit		12,906	12,323
Administrative expenses		(10,305)	(9,013)
Exceptional administrative expenses		-	(806)
Total administrative expenses		(10,305)	(9,819)
Operating profit	3	2,601	2,504
Interest receivable and similar income		3	2
Interest payable and similar charges	7	(1,016)	(1,095)
Profit on ordinary activities before taxation		1,588	1,411
Tax on profit on ordinary activities	8	(381)	(567)
Profit on ordinary activities after taxation		1,207	844
Minority interests		(22)	(20)
Profit for the financial period	19	1,185	824

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account.

The notes on pages 16 to 32 form part of these financial statements.

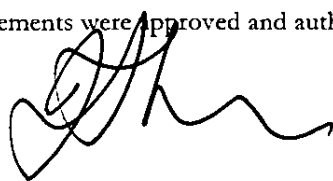
Consolidated Balance Sheet

As at 29 January 2012

		29 January 2012		30 January 2011	
	Note	£000	£000	£000	£000
Fixed assets					
Positive goodwill		240		259	
Negative goodwill		(430)		(439)	
Net goodwill		<u>(190)</u>		<u>(180)</u>	
Intangible assets	9		(190)		(180)
Tangible assets	10		29,976		30,342
			<u>29,786</u>		<u>30,162</u>
Current assets					
Stocks	12	53		52	
Debtors	13	1,240		1,145	
Cash at bank and in hand		2,477		2,191	
		<u>3,770</u>		<u>3,388</u>	
Creditors: amounts falling due within one year	14	<u>(3,147)</u>		<u>(3,060)</u>	
Net current assets			<u>623</u>		<u>328</u>
Total assets less current liabilities			<u>30,409</u>		<u>30,490</u>
Creditors: amounts falling due after more than one year	15		(26,625)		(27,012)
Provisions for liabilities					
Deferred tax	17		(829)		(767)
Net assets			<u>2,955</u>		<u>2,711</u>
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		2,610		2,388
Shareholders' funds	20		<u>3,038</u>		<u>2,816</u>
Minority interests	22		(83)		(105)
			<u>2,955</u>		<u>2,711</u>

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

John A Brown
 Director



22 June 2012

The notes on pages 16 to 32 form part of these financial statements.

Company Balance Sheet

As at 29 January 2012

	Note	29 January 2012 £000	30 January 2011 £000
Fixed assets			
Investments	11	3,975	3,975
Creditors: amounts falling due within one year	14	(3,974)	(3,974)
Total assets less current liabilities		<u>1</u>	<u>1</u>
Capital and Reserves			
Called up share capital	18	<u>1</u>	<u>1</u>
Shareholders' Funds	20	<u>1</u>	<u>1</u>

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John A Brown
 Director



22 June 2012

The notes on pages 16 to 32 form part of these financial statements.

Consolidated Cash Flow Statement

For the period ended 29 January 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	23	3,907	3,711
Returns on investments and servicing of finance	24	(1,013)	(1,092)
Taxation	24	(369)	(97)
Capital expenditure and financial investment	24	(694)	(686)
Equity dividends paid		(963)	(116)
Cash inflow before financing		868	1,720
Financing	24	(582)	(1,369)
Increase in cash in the period		286	351

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt

For the period ended 29 January 2012

	2012 £000	2011 £000
Increase in cash in the period	286	351
Cash outflow from decrease in debt and lease financing	582	1,369
Movement in net debt in the period	868	1,720
Net debt at 31 January 2011	(25,401)	(27,121)
Net debt at 29 January 2012	(24,533)	(25,401)

The notes on pages 16 to 32 form part of these financial statements.

Notes to the Financial Statements

For the period ended 29 January 2012

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.

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 Principal activities and business review section of the Report of the directors on pages 3-5.

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 29 January 2012

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 29 January 2012

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
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 29 January 2012

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.

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 during the period.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group. An analysis of turnover is given below:

	2012 £000	2011 £000
United Kingdom	<u>14,281</u>	<u>13,622</u>

All turnover arose within the United Kingdom.

Notes to the Financial Statements

For the period ended 29 January 2012

3. Operating profit

The operating profit is stated after charging:

	2012 £000	2011 £000
Amortisation - intangible fixed assets	10	10
Depreciation of tangible fixed assets:		
- owned by the group	1,038	943
Impairment of development property value	-	694
Loss on disposal of fixed assets	24	44
Write off of development fees	-	68
	<u> </u>	<u> </u>

4. Auditors' remuneration

	2012 £000	2011 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	24	23
Fees payable to the company's auditor and its associates in respect of:		
Other accounting services	5	-
	<u> </u>	<u> </u>

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2012 £000	2011 £000
Wages and salaries	4,312	3,793
Social security costs	309	286
Other pension costs	200	-
	<u> </u>	<u> </u>
	<u>4,821</u>	<u>4,079</u>

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

	2012 No.	2011 No.
Number of corporate office staff	12	12
Number of hotel staff and management	285	268
	<u> </u>	<u> </u>
	<u>297</u>	<u>280</u>

Notes to the Financial Statements

For the period ended 29 January 2012

6. Directors' remuneration

Remuneration in respect of directors was as follows:

	2012 £000	2011 £000
Remuneration receivable (excluding pension)	300	134
Other pension costs	200	-
Total	<u>500</u>	<u>134</u>

The highest paid director received remuneration (excluding pension contributions) of £142k (2011: £90k).
One director received a pension contribution of £200k (2011: £nil).

7. Interest payable

	2012 £000	2011 £000
Interest payable on bank borrowing	<u>1,016</u>	<u>1,095</u>

8. Taxation

	2012 £000	2011 £000
Analysis of tax charge in the period		
Current tax (see note below)		
UK corporation tax charge on profit for the period	319	357
Deferred tax (see note 17)		
Origination and reversal of timing differences	<u>62</u>	<u>210</u>
Tax on profit on ordinary activities	<u>381</u>	<u>567</u>

Notes to the Financial Statements

For the period ended 29 January 2012

8. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period/year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 26.33% (2011 - 28%). The differences are explained below:

	2012 £000	2011 £000
Profit on ordinary activities before tax	1,588	1,411
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.33% (2011 - 28%)	420	395
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3	61
Capital allowances for period/year in excess of depreciation	(74)	(35)
Capitalised revenue expenditure	(1)	-
Non qualifying depreciation	32	-
Rate differences	(3)	(2)
Losses surrendered as group relief	-	67
Losses received as group relief	-	(67)
Relief for losses brought forward	(55)	(62)
Marginal relief	(3)	-
Current tax charge for the period (see note above)	319	357

9. Intangible fixed assets

Group	Positive goodwill £000	Negative goodwill £000	Total £000
Cost			
At 31 January 2011 and 29 January 2012	375	(467)	(92)
Amortisation			
At 31 January 2011	116	(28)	88
Charge for the period	19	(9)	10
At 29 January 2012	135	(37)	98
Net book value			
At 29 January 2012	240	(430)	(190)
At 30 January 2011	259	(439)	(180)

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 29 January 2012

10. Tangible fixed assets

Group	Freehold property £000	L/Term Leasehold Property £000	Plant & machinery £000	Fixtures & fittings £000	Total £000
Cost or valuation					
At 31 January 2011	16,877	4,872	936	12,321	35,006
Additions	40	-	-	654	694
Disposals	-	-	-	(267)	(267)
Transfer between classes	(54)	-	14	40	-
At 29 January 2012	<u>16,863</u>	<u>4,872</u>	<u>950</u>	<u>12,748</u>	<u>35,433</u>
Depreciation					
At 31 January 2011	195	630	820	3,019	4,664
Charge for the period	53	65	35	885	1,038
On disposals	-	-	-	(245)	(245)
Transfer between classes	(10)	-	4	6	-
At 29 January 2012	<u>238</u>	<u>695</u>	<u>859</u>	<u>3,665</u>	<u>5,457</u>
Net book value					
At 29 January 2012	<u>16,625</u>	<u>4,177</u>	<u>91</u>	<u>9,083</u>	<u>29,976</u>
At 30 January 2011	<u>16,682</u>	<u>4,242</u>	<u>116</u>	<u>9,302</u>	<u>30,342</u>

Included within the net book value of £30 million is interest incurred during the purchase and refurbishment of properties amounting to £106k (2011: £106k). No interest was capitalised during the year (2011: £nil).

The market value of the portfolio of assets continues to be in excess of the carrying value in the financial statements.

Notes to the Financial Statements

For the period ended 29 January 2012

11. Fixed asset investments

Company	Investments in subsidiary companies £000
Cost	
At 31 January 2011 and 29 January 2012	3,975
Net book value	
At 29 January 2012	3,975
At 30 January 2011	3,975

12. Stocks

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
Goods for resale	53	52	-	-

13. Debtors

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
Trade debtors	907	855	-	-
Other debtors	30	33	-	-
Prepayments and accrued income	303	257	-	-
	1,240	1,145	-	-

Notes to the Financial Statements

For the period ended 29 January 2012

14. Creditors:

Amounts falling due within one year

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
Bank loans and overdrafts	385	493	-	-
Directors' loan accounts	-	87	-	-
Trade creditors	605	594	-	-
Amounts owed to group undertakings	-	-	3,974	3,974
Corporation tax	219	356	-	-
Social security and other taxes	329	257	-	-
Other creditors	715	551	-	-
Accruals and deferred income	894	722	-	-
	<u>3,147</u>	<u>3,060</u>	<u>3,974</u>	<u>3,974</u>

15. Creditors:

Amounts falling due after more than one year

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
Bank loans	<u>26,625</u>	<u>27,012</u>	<u>-</u>	<u>-</u>

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 £23.1m, 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 £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 the period amounted to £393k (2011: £360k).

Allied Irish Bank (GB) provide term facilities amounting to £3.8m, which mature during March 2014, and bear an interest rate of 3m LIBOR plus 3.25%. Capital repayments during the period amounted to £100k (2011: £990k).

Notes to the Financial Statements

For the period ended 29 January 2012

16. Creditors - capital instruments

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Creditors include finance capital which is due for repayment as follows:				
Amounts repayable:				
In one year or less or on demand	385	579	-	-
In more than one year but not more than two years	350	384	-	-
In more than two years but not more than five years	4,433	4,527	-	-
In more than five years	21,842	22,102	-	-
	<u>27,010</u>	<u>27,592</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Wholly repayable within five years:				
Repayable by instalments	1,501	1,638	-	-
Repayable other than by instalments	3,667	3,854	-	-
	<u>5,168</u>	<u>5,492</u>	<u>-</u>	<u>-</u>
Not wholly repayable within five years:				
Repayable by instalments	1,373	1,631	-	-
Repayable other than by instalments	20,469	20,469	-	-
	<u>21,842</u>	<u>22,100</u>	<u>-</u>	<u>-</u>
	<u>27,010</u>	<u>27,592</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the period ended 29 January 2012

17. Deferred taxation

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
At beginning of period/year	767	556	-	-
Charge for the period	62	211	-	-
At end of period/year	829	767	-	-

The provision for deferred taxation is made up as follows:

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
Excess of taxation allowances over depreciation of fixed assets	762	889	-	-
Tax losses available	67	(122)	-	-
	829	767	-	-

18. Share capital

	29 January 2012 £000	30 January 2011 £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 (2011: 500) and 500 "B" Ordinary Shares of £1 each (2011: 500).

19. Reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At 31 January 2011	320	107	2,388
Profit for the period			1,185
Equity dividends			(963)
At 29 January 2012	320	107	2,610

Notes to the Financial Statements

For the period ended 29 January 2012

20. Reconciliation of movement in shareholders' funds

	29 January 2012 £000	30 January 2011 £000
Group		
Opening shareholders' funds	2,816	2,108
Profit for the period	1,185	824
Equity dividends (Note 21)	(963)	(116)
Closing shareholders' funds	<u>3,038</u>	<u>2,816</u>

	29 January 2012 £000	30 January 2011 £000
Company		
Opening shareholders' funds	1	1
Profit for the period	963	116
Equity dividends (Note 21)	(963)	(116)
Closing shareholders' funds	<u>1</u>	<u>1</u>

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 £963k (2011 - £116k).

21. Dividends

	2012 £000	2011 £000
Dividends on shares classed as equity		
Equity dividends on "A" ordinary shares	500	-
Equity dividends on "B" ordinary shares	463	116
	<u>963</u>	<u>116</u>

22. Minority interests

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

Notes to the Financial Statements

For the period ended 29 January 2012

23. Net cash flow from operating activities

	2012 £000	2011 £000
Operating profit	2,601	2,504
Amortisation of intangible fixed assets	10	10
Depreciation of tangible fixed assets	1,038	943
Impairment of development property value	-	694
Write off of development costs	-	68
Loss on disposal of tangible fixed assets	24	44
Increase in stocks	(1)	(7)
Increase in debtors	(95)	(365)
Increase/(decrease) in creditors	330	(180)
Net cash inflow from operating activities	3,907	3,711

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

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest received	3	2
Interest paid	(1,016)	(1,094)
Net cash outflow from returns on investments and servicing of finance	(1,013)	(1,092)

	2012 £000	2011 £000
Taxation		
Corporation tax	(369)	(97)

	2012 £000	2011 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(694)	(993)
Receipts from sale of fixed assets	-	307
Net cash outflow from capital expenditure	(694)	(686)

Notes to the Financial Statements

For the period ended 29 January 2012

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

	2012 £000	2011 £000
Financing		
Repayment of loans	(495)	(1,369)
Repayment of other loans	(87)	-
Net cash outflow from financing	(582)	(1,369)

25. Analysis of changes in net debt

	31 January 2011 £000	Cash flow £000	Other non-cash changes £000	29 January 2012 £000
Cash at bank and in hand	2,191	286	-	2,477
Debt:				
Debts due within one year	(580)	582	(387)	(385)
Debts falling due after more than one year	(27,012)	-	387	(26,625)
Net debt	(25,401)	868	-	(24,533)

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 29 January 2012 with the Bank of Scotland was £20.8 million (2011: £21.7 million).

27. Capital commitments

At 29 January 2012 the group and company had capital commitments as follows:

	Group		Company	
	29 January 2012 £000	30 January 2011 £000	29 January 2012 £000	30 January 2011 £000
Contracted for but not provided in these financial statements	69	202	-	-

Notes to the Financial Statements

For the period ended 29 January 2012

28. Operating lease commitments

At 29 January 2012 the Group had annual commitments under non-cancellable operating leases as follows:

Group	Land & Buildings		Other	
	2012	2011	2012	2011
	£000	£000	£000	£000
Expiry date:				
Between 2 and 5 years	-	-	5	5
After more than 5 years	375	225	-	-

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 £11k (2011: £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 29 January 2012 the subsidiary company was owed £2k (2011: £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 £1,077k by other companies within the group at 29 January 2012 (2011: £1,078k). The subsidiary owed £77k to other companies within the group at 29 January 2012 (2011: £27k). During the year, the subsidiary paid £270k (2011: £204k) to a fellow subsidiary in respect of management services provided to it during the year, and received rent of £15k (2011: £15k) from the same subsidiary.

Another of the group's subsidiaries, Hotel Property Fund (Syndicate 2) Limited, was owed £371k by other group companies at 29 January 2012 (2011: £373k). The subsidiary owed £7k (2011: £nil) to other companies within the group at 29 January 2012. During the year, the subsidiary paid £186k (2011: £176k) to a fellow subsidiary in respect of management services provided to it during the year.

Notes to the Financial Statements

For the period ended 29 January 2012

30. Principal subsidiaries

Subsidiary undertakings		Proportion of voting rights and Holding Shares held	Nature of business
All held by the company:	Country of incorporation		
Huntingtower Hotel (Perth) Limited	Scotland	Ordinary Shares 100%	Hoteliers
Speedbird Developments Limited	Scotland	Ordinary Shares 100%	Hoteliers
Lauriston Hotels Limited	Scotland	Ordinary Shares 100%	Hoteliers
Hotel Property Fund (Syndicate 1) Limited	Scotland	Ordinary Shares 92%	Hoteliers
Hotel Property Fund (Syndicate 2) Limited	Scotland	Ordinary Shares 92%	Hoteliers
Portland Hotel Management Limited	Scotland	Ordinary Shares 100%	Hotel Management
Portland Hotels Limited	Scotland	Ordinary Shares 100%	Dormant
Portland Facilities Management Limited	Scotland	Ordinary Shares 100%	Dormant
PCPB LLP	Scotland	Partnership 100%	Dormant
Hotel Property Fund (Syndicate 3) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 4) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 5) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 6) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 7) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 8) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 9) Limited	Scotland	Ordinary Shares 100%	Dormant
Hotel Property Fund (Syndicate 10) Limited	Scotland	Ordinary Shares 100%	Dormant

31. Derivatives

At the year end a subsidiary undertaking held an interest cap and floor arrangement which was fair valued at 29 January 2012 at £nil (2011: £20k) and £(184)k (2011: £(138)k) respectively. The balance sheet value of this instrument is £nil (2011: £nil).

Another subsidiary undertaking had a ladder swap arrangement on one of its loans which was fair valued at £(1,076)k at 29 January 2012 (2011: £(817)k). The balance sheet value of this instrument is £nil (2011: £nil).