

Registered number: SC114360

**BALBIRNIE HOUSE HOTEL LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2017**

FRIDAY



\*S6KTG49D\*

SCT

08/12/2017

#171

COMPANIES HOUSE

# **BALBIRNIE HOUSE HOTEL LIMITED**

## **COMPANY INFORMATION**

### **DIRECTORS**

Mr N N Russell  
Mrs R S Spenke  
Mrs G Russell

### **REGISTERED NUMBER**

SC114360

### **REGISTERED OFFICE**

Balbirnie House  
Balbirnie Park  
Markinch  
Glenrothes  
Fife  
KY7 6NE

### **INDEPENDENT AUDITORS**

EQ Accountants LLP  
Chartered Accountants  
Pentland House  
Saltire Centre  
Glenrothes  
Fife  
KY6 2AH

### **BANKERS**

HSBC Bank plc  
76 Hanover Street  
Edinburgh  
EH2 1EL

### **SOLICITORS**

Shepherd and Wedderburn LLP  
1 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8UL

# **BALBIRNIE HOUSE HOTEL LIMITED**

## **CONTENTS**

	<b>Page</b>
<b>Strategic report</b>	<b>1 - 3</b>
<b>Directors' report</b>	<b>4 - 5</b>
<b>Independent auditors' report</b>	<b>6 - 7</b>
<b>Statement of comprehensive income</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Statement of cash flows</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12 - 23</b>

# **BALBIRNIE HOUSE HOTEL LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2017**

### **INTRODUCTION**

The directors have the pleasure in presenting their strategic report for the year-ended 30 April 2017.

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The principal activity of the company during the year was the operation of a country house hotel, a destination for private and corporate special events.

The directors continue to be satisfied with the operations of the company. Over the last few years, very significant re-investment into the fabric of the assets has been successfully enabled to a level which, in percentage terms, is well above industry norms. This range has been between double and almost quadruple that of industry norms. The ability to maintain such reinvestment has been beneficial to the company, and as a result, the property is presented to an exceptionally high standard.

The directors are satisfied with these latest accounts. Looking ahead, core trade diaries continue to be excellent, and the directors remain fully committed to ensuring this equilibrium and status quo is successfully maintained.

## **BALBIRNIE HOUSE HOTEL LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

As with all other companies operating in the hospitality sector, the directors acknowledge that there are many varied risks which the company faces. The directors acknowledge that the main risks include competition from competitors, maintaining a desire from the public for the use of the hotel, and disruption to the supply chain.

Furthermore, it is clear that due to Brexit, there will continue to be accelerating costs. Similarly and specifically stemming from Brexit, there is very significant general uncertainty in the UK Hospitality and Tourism sectors. The directors do not see why Scotland should be dragged out of the EU, given 62% of Scotland voted to remain in the EU. The directors are also saddened to see the loss of ability to employ EU nationals, as a significant proportion of company employees have always previously originated from within the EU.

Unique to the company, and attributed directly to Brexit, in this financial year the directors have placed completion of a £4M fitness/ wellness/ wellbeing facility, on hold. The directors intend to revisit this, as/ when there is no longer any general uncertainty caused by Brexit.

Despite the defined efforts of a majority of Scotland politicians over numerous years, Westminster-defined tourism VAT still remains vastly inflated above comparables in other EU countries. This significantly places Scotland's Hospitality sector at a disadvantage.

Initiated in 2015 without recourse to any UK Hospitality organisation, phased rises in UK National Minimum Wage, continues in the current 5 year spread at almost 40% increase. The directors consider that those price rises cannot be absorbed by customers, therefore the company has to continue to successfully define more efficient ways either in which to deploy human resources, or to introduce new technology which creates payroll efficiency.

The directors also acknowledge that there is no defined government assistance, for contributing towards the maintenance, safeguarding and improvement of the main asset of the company, Balbirnie House itself. This is despite Balbirnie House being a National Treasure, Grade A Listed 1777 with national importance, which also doubles today as a very significant tourism tax generator.

The directors mitigate these risks by focusing on cutting edge marketing using in-house digitalised platforms, and modern era automated efficiencies. Additionally, the company provides an excellent service to all guests, and has a reputation, and awards to back up the completely unique facilities.

In 2017 the hotel achieved recognition as #SHA Scotland's Wedding Hotel of the Year, for the eleventh time. Furthermore, via Haute Grandeur: Europe's Best Destination Wedding Hotel/ Europe's Best Function Venue/ Europe's Best Romantic Hotel. As a combined result, in 2017 a Motion was raised in Scotland's Parliament, congratulating everyone at the hotel.

As part of the day to day running of the hotel, the directors are always looking at the services on offer and thinking of ways that the hotel can enhance these further, to give them a competitive edge. The directors have strived to build close relationships with all of the suppliers the hotel uses, with many of these relationships going back numerous years.

The company's principal financial instruments comprise bank balances, loans to the company, and hire purchase/finance agreements. The main purpose of these instruments is to finance company operations

Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is detailed below.

In respect of bank balances, the liquidity risk is managed by maintaining such flexibility through use of overdrafts at floating rates of interest.

In respect of loans, these comprise loans from the directors and loans from financial institutions. The interest rate on the loans from financial institutions is fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

## **BALBIRNIE HOUSE HOTEL LIMITED**

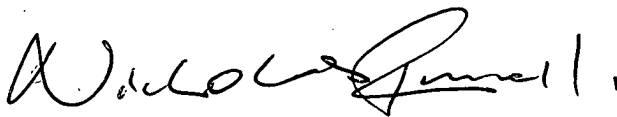
### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2017**

The loans from the directors are repayable on demand. The directors are aware of the company's required finance and have determined that these will only be repaid, when finance is available. In respect of hire purchase/finance lease assets, the liquidity risk in respect of these is managed to ensure sufficient funds are available to meet repayments.

### **SAFETY AND HEALTH, THE ENVIRONMENT AND QUALITY**

The company operates in the hotel industry and aims to provide a first class service to the public. This includes being safety conscious, complying with health and safety regulations, and generally demanding high standards. It recognises the importance of, and has policies in place, to ensure its environmental, health and safety requirements are met at all times.

This report was approved by the board on 30/11/2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N N Russell', is written over the printed name and title.

**Mr N N Russell**  
Director

## **BALBIRNIE HOUSE HOTEL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2017**

The directors present their report and the financial statements for the year ended 30 April 2017.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company and financial information included on the company's website.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £28,370 (2016 - loss £246,262).

There are no proposed dividends for the year ended 30 April 2017.

#### **DIRECTORS**

The directors who served during the year were:

Mr N N Russell  
Mrs R S Spenke  
Mrs G Russell

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**BALBIRNIE HOUSE HOTEL LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2017**

**POST BALANCE SHEET EVENTS**

There have been no significant events affecting the company since the year end.

**AUDITORS**

The auditors, EQ Accountants LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30/11/2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N N Russell', is written over the date.

**Mr N N Russell**  
Director



## **BALBIRNIE HOUSE HOTEL LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BALBIRNIE HOUSE HOTEL LIMITED**

We have audited the financial statements of Balbirnie House Hotel Limited for the year ended 30 April 2017, set out on pages 8 to 23. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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 AUDITORS**

As explained more fully in the Directors' responsibilities statement on page 4, 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 Financial Reporting Council's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

**BALBIRNIE HOUSE HOTEL LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BALBIRNIE HOUSE HOTEL LIMITED  
(CONTINUED)**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*EQ Accountants LLP*

Mark Gibson (Senior statutory auditor)  
for and on behalf of  
**EQ Accountants LLP**  
Chartered Accountants  
Pentland House  
Saltire Centre  
Glenrothes  
Fife  
KY6 2AH

Date: *04/12/17*

**BALBIRNIE HOUSE HOTEL LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2017**

	Note	2017 £	2016 £
Turnover	4	3,212,065	3,224,331
Cost of sales		(716,123)	(683,492)
<b>GROSS PROFIT</b>		<b>2,495,942</b>	<b>2,540,839</b>
Administrative expenses		(2,450,302)	(2,393,291)
Exceptional administrative expenses	9	-	(325,000)
<b>OPERATING PROFIT/(LOSS)</b>	5	<b>45,640</b>	<b>(177,452)</b>
Interest payable and expenses	8	(74,010)	(68,810)
<b>LOSS BEFORE TAX</b>		<b>(28,370)</b>	<b>(246,262)</b>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(28,370)</b>	<b>(246,262)</b>

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.


The notes on pages 12 to 23 form part of these financial statements.

**BALBIRNIE HOUSE HOTEL LIMITED**  
**REGISTERED NUMBER: SC114360**

**BALANCE SHEET**  
**AS AT 30 APRIL 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	10	6,465,804	6,449,118
		<u>6,465,804</u>	<u>6,449,118</u>
<b>CURRENT ASSETS</b>			
Stocks		36,303	32,082
Debtors: amounts falling due within one year	11	231,922	143,174
Cash at bank and in hand		131,497	383,718
		<u>399,722</u>	<u>558,974</u>
Creditors: amounts falling due within one year	12	(1,299,771)	(1,238,816)
		<u>(900,049)</u>	<u>(679,842)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,565,755</u>	<u>5,769,276</u>
Creditors: amounts falling due after more than one year	13	(2,771,138)	(2,946,289)
		<u>2,794,617</u>	<u>2,822,987</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>		<u>2,794,617</u>	<u>2,822,987</u>
<b>NET ASSETS</b>		<u>2,794,617</u>	<u>2,822,987</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	54,675	54,675
Share premium account		246,350	246,350
Non-distributable reserves		4,579,189	4,655,400
Other reserves		10,329	10,329
Profit and loss account		(2,095,926)	(2,143,767)
		<u>2,794,617</u>	<u>2,822,987</u>

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

30/11/2017 

**Mr N N Russell**  
Director

The notes on pages 12 to 23 form part of these financial statements.

**BALBIRNIE HOUSE HOTEL LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2017**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2016	54,675	246,350	4,655,400	10,329	(2,143,767)	2,822,987
Loss for the year	-	-	-	-	(28,370)	(28,370)
Transfer to/from revaluation reserve	-	-	-	-	76,211	76,211
Transfer to/from profit and loss account	-	-	(76,211)	-	-	(76,211)
<b>AT 30 APRIL 2017</b>	<b>54,675</b>	<b>246,350</b>	<b>4,579,189</b>	<b>10,329</b>	<b>(2,095,926)</b>	<b>2,794,617</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2016**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2015	65,004	246,350	3,847,184	-	(1,779,716)	2,378,822
Loss for the year	-	-	-	-	(246,262)	(246,262)
Transfer to/from revaluation reserve	-	-	-	-	76,211	76,211
Purchase of own shares	-	-	-	10,329	-	10,329
Movement on deferred tax on revaluation of property	-	-	884,427	-	-	884,427
Purchase of own shares	-	-	-	-	(194,000)	(194,000)
Shares redeemed during the year	(10,329)	-	-	-	-	(10,329)
Transfer to/from profit and loss account	-	-	(76,211)	-	-	(76,211)
<b>AT 30 APRIL 2016</b>	<b>54,675</b>	<b>246,350</b>	<b>4,655,400</b>	<b>10,329</b>	<b>(2,143,767)</b>	<b>2,822,987</b>

The notes on pages 12 to 23 form part of these financial statements.

**BALBIRNIE HOUSE HOTEL LIMITED****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 APRIL 2017**

	2017 £	2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	(28,370)	(246,262)
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	205,228	184,174
Loss on disposal of tangible assets	(1,544)	(8,276)
Interest paid	74,010	68,814
(Increase)/decrease in stocks	(4,221)	4,522
(Increase) in debtors	(88,749)	(4,753)
Increase in creditors	32,445	60,709
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>188,799</b>	<b>58,928</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(222,382)	(169,144)
Sale of tangible fixed assets	2,010	344,335
HP interest paid	(4,893)	(3,515)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(225,265)</b>	<b>171,676</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of ordinary shares	-	(194,000)
Repayment of loans	(181,693)	(138,867)
Repayment of/new finance leases	34,311	29,660
Interest paid	(69,117)	(65,294)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(216,499)</b>	<b>(368,501)</b>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(252,965)</b>	<b>(137,897)</b>
Cash and cash equivalents at beginning of year	383,718	521,615
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>130,753</b>	<b>383,718</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	131,497	383,718
Bank overdrafts	(744)	-
	<b>130,753</b>	<b>383,718</b>

## **BALBIRNIE HOUSE HOTEL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017**

#### **1. GENERAL INFORMATION**

Balbirnie House Hotel Limited is a limited liability company incorporated in Scotland, registration number SC114360. The registered office address is Balbirnie House, Balbirnie Park, Markinch, Glenrothes, Fife, KY7 6NE

The principal activity of the company during the year was the operation of a country house hotel.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 Revenue**

Revenue is measured as the fair value of the consideration received or receivable, net of discounts and Value Added Tax. Revenue includes income from sale of goods and from the rendering of services, namely the provision of accommodation, food, beverages and general hotel facilities. The following criteria must also be met before revenue is recognised:

###### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### **Rendering of services**

Revenue from the rendering of services is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2017**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Plant and machinery	- 20% straight line
Motor vehicles	- 20% straight line
Fixtures and fittings	- 10% straight line
Spa Development	- Fully amortised in 2011

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**2.4 Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

**2.5 Stocks**

Stocks are stated at the lower of cost and net realisable value, using the first in, first out basis.

**2.6 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2017**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.7 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

**2.8 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**2.9 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.10 Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.11 Pensions**

**Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2017**

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.12 Borrowing costs**

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

**2.13 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**2.14 Taxation**

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.15 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

## BALBIRNIE HOUSE HOTEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

#### 3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The most significant estimation within the company's financial statements relates to depreciation. The directors review depreciation rates on a regular basis to ensure that the policy rate remains appropriate.

The directors also require to exercise judgement in assessing recoverability of trade debtors and make appropriate provision where their credit control procedures indicate that trade debtor balances may not be fully recoverable.

#### 4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
UK Sales	3,212,065	3,224,331
	<u>3,212,065</u>	<u>3,224,331</u>

#### 5. OPERATING PROFIT/(LOSS)

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

	2017 £	2016 £
Depreciation of tangible fixed assets	205,229	184,174
Staff pension costs	8,178	8,068
	<u>213,407</u>	<u>192,242</u>

## BALBIRNIE HOUSE HOTEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

#### 6. EMPLOYEES

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

	2017 £	2016 £
Wages and salaries	1,366,980	1,644,102
Social security costs	80,476	120,886
Staff pension costs	8,178	8,068
	<u>1,455,634</u>	<u>1,773,056</u>

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

	2017 No.	2016 No.
Kitchen staff	27	29
Reception and front of house staff	67	66
Management and admin staff	11	11
Housekeeping and maintenance staff	11	11
	<u>116</u>	<u>117</u>

#### 7. DIRECTORS' REMUNERATION

	2017 £	2016 £
Directors' emoluments	93,913	447,679
	<u>93,913</u>	<u>447,679</u>

The remuneration in 2016 includes £325,000 as detailed in Note 9 below.

#### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Bank interest payable	62,045	52,633
Other loan interest payable	7,072	12,662
Finance leases and hire purchase contracts	4,893	3,515
	<u>74,010</u>	<u>68,810</u>

# BALBIRNIE HOUSE HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

### 9. EXCEPTIONAL ITEMS

	2017 £	2016 £
Directors benefits in kind	-	325,000
	<u>-</u>	<u>325,000</u>

The above relates to the market value of a company property gifted to two directors during the year ended 30 April 2016.

**BALBIRNIE HOUSE HOTEL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2017**

**10. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Spa develop- ment £	Total £
<b>COST OR VALUATION</b>						
At 1 May 2016	7,110,544	768,549	70,388	2,021,437	776,647	10,747,565
Additions	85,901	-	-	136,481	-	222,382
Disposals	-	-	(5,900)	-	-	(5,900)
At 30 April 2017	7,196,445	768,549	64,488	2,157,918	776,647	10,964,047
<b>DEPRECIATION</b>						
At 1 May 2016	942,628	766,216	21,272	1,791,684	776,647	4,298,447
Charge for the year on owned assets	143,105	1,637	1,155	43,160	-	189,057
Charge for the year on financed assets	-	-	12,778	3,394	-	16,172
Disposals	-	-	(5,434)	-	-	(5,434)
At 30 April 2017	1,085,733	767,853	29,771	1,838,238	776,647	4,498,242
<b>NET BOOK VALUE</b>						
At 30 April 2017	6,110,712	696	34,717	319,680	-	6,465,805
At 30 April 2016	6,167,916	2,333	49,116	229,753	-	6,449,118

Freehold land and buildings, comprising the hotel property, fixtures, fittings, plant and equipment were revalued during the year to 30 April 2016 at £6,400,000.

In the event that the freehold land and buildings was sold at its revalued amount a tax charge of approximately £406,841 would arise. This has not been provided for in the accounts as a deferred tax asset of £463,462 exists and has not been provided.

# BALBIRNIE HOUSE HOTEL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

### 11. DEBTORS

	2017 £	2016 £
Trade debtors	109,427	22,894
Other debtors	2,670	1,831
Prepayments and accrued income	119,825	118,449
	<u>231,922</u>	<u>143,174</u>

### 12. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	744	-
Bank loans	184,507	175,591
Trade creditors	264,449	264,376
Taxation and social security	156,631	152,848
Obligations under finance lease and hire purchase contracts	35,112	16,259
Other creditors	141,025	143,357
Accruals and deferred income	517,303	486,385
	<u>1,299,771</u>	<u>1,238,816</u>

#### Secured loans

Bank loans of £184,507 (2016 - £175,591) are secured by way of a standard security over the property of the company and a bond and floating charge.

Hire purchase liabilities of £35,112 (2016 - £16,259) are secured by the relevant assets.

**BALBIRNIE HOUSE HOTEL LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2017****13. CREDITORS: Amounts falling due after more than one year**

	2017 £	2016 £
Bank loans	2,704,615	2,895,224
Net obligations under finance leases and hire purchase contracts	66,523	51,065
	<u>2,771,138</u>	<u>2,946,289</u>

**Secured loans**

Bank loans of £2,704,615 (2016 - £2,895,224) are secured by way of a standard security over the property of the company and a bond and floating charge.

Hire purchase liabilities of £66,523 (2016 - £51,065) are secured by the relevant assets.

**14. LOANS**

Analysis of the maturity of loans is given below:

	2017 £	2016 £
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Bank loans	184,507	175,591
	<u>184,507</u>	<u>175,591</u>
<b>AMOUNTS FALLING DUE 1-2 YEARS</b>		
Bank loans	184,507	175,591
	<u>184,507</u>	<u>175,591</u>
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>		
Bank loans	553,521	526,773
	<u>553,521</u>	<u>526,773</u>
<b>AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS</b>		
Bank loans	1,966,587	2,192,860
	<u>1,966,587</u>	<u>2,192,860</u>
	<u>2,889,122</u>	<u>3,070,815</u>



## BALBIRNIE HOUSE HOTEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

#### 15. FINANCIAL INSTRUMENTS

	2017 £	2016 £
<b>FINANCIAL ASSETS</b>		
Financial assets measured at fair value through profit or loss	131,497	383,718
Financial assets that are debt instruments measured at amortised cost	112,097	24,725
	<u>243,594</u>	<u>408,443</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	(3,396,975)	(3,545,870)
	<u>(3,396,975)</u>	<u>(3,545,870)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

#### 16. SHARE CAPITAL

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
54,675 Ordinary shares of £1 each	<u>54,675</u>	<u>54,675</u>

During the prior year the company purchased 10,329 of the issued ordinary shares of £1 each for a consideration of £183,671.

#### 17. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £8,178 (2016 - £8,068). Contributions totalling £nil (2016 - £nil) were payable to the fund at the balance sheet date.

## BALBIRNIE HOUSE HOTEL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

#### 18. COMMITMENTS UNDER OPERATING LEASES

At 30 April 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	4,733	-
Later than 1 year and not later than 5 years	10,472	14,455
	<u>15,205</u>	<u>14,455</u>