

BALBIRNIE HOUSE HOTEL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

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

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2022**

Introduction

The directors have the pleasure in presenting their strategic report for the year ended 30 April 2022.

Business review

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, 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. The ability to maintain such reinvestment has been beneficial to the company, and as a result, the property is presented and equipped to an exceptionally high standard.

During 2022 the directors commissioned a formalised updated valuation for Balbirnie House Hotel. This was conducted by Colliers International, and defined current valuation at £6.6M.

The directors acknowledge these latest accounts show a loss, which was created in the main, from the financial implications once again, of having government-enforced national hospitality severely restricted ongoing operational restrictions due to Covid pandemic. Whilst the losses of £7,363 are massively less than the previous financial year losses of £816,841 - in spring 2021 we had budgeted the financial year ahead to be in profit. However, government trading restrictions were placed on hospitality during our peak annual trading through May, June, July and the first third of August 2021. Arriving then at December 2021 government advised the general public not to have hospitality setting festive celebrations, and such advice then also had further continuing negative implications into the next calendar year. All aspects combined have therefore led once again to a further annual loss.

Upon reflection over the last 3 years, I take this opportunity to reiterate a consistently highlighted aspect from our social media. Specifically, that in contrast to the UK and Scotland governments, Sweden's government did not enforce any pandemic lockdown. The accumulated science and statistics now appears to confirm that Sweden was correct in its approach. It has to be questioned therefore, if the UK and Scotland governments took lockdown and restriction decisions based on science, or based on personal opinions. If it is the latter, our company alone needlessly suffered a circa £1M loss.

We are thankful however that we were subsequently in a position to be able to re-construct financials, to enable us to remain operational.

We have traded through the many challenges of the pandemic, and then gone on to see the 2022 calendar year become our busiest in company history. The directors are optimistic (writing as at January 2023) based on current projections that financial results to the end of April 2023 may show a return to profit.

The main reason that the directors continue to be satisfied with the operations of the company today, however, is specifically due to the level of confirmed and diarised trade, in tandem with the company having been able to successfully access additional CBILs lending in the previous year.

Through late autumn 2022 our directors also invested significant sums in engaging the specialised services of two accounting firms, so as to work on comprehensive and detailed financial forecasting through to the end of April 2025. This has underlined and confirmed the anticipation of continuing future financial viability for the company.

BALBIRNIE HOUSE HOTEL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2022

In early 2022 our company thankfully and successfully negotiated and capped energy contracts for gas and electricity, for a full 5 years ahead. Revised pricing has been fully incorporated into future financial projections. In facilitating 5 year contracts, this is in contrast to many industry competitors who found themselves in extremely challenging contemplation as 2022 progressed, experiencing massive and unexpected energy pricing increases. Our many future clients are aware that we have been successful with five years of stability ahead, and this has assisted us with confirmed future diarised bookings.

We have also invested circa £150,000 in installing two brand new boiler systems, and for the first time since opening as a hotel in the 1980's we are able to segment hot water, and central heating. The new boiler systems are also much more efficient than the old ones.

The company's key performance indicators during the year were as follows:

	2022	2021
	£	£
Turnover	3,565,806	1,159,618
Gross profit	2,768,321	731,420
Profit/(Loss) before interest and tax	78,624	(750,776)

The directors also acknowledge the continuing timeline of an element of great uncertainty in the hospitality marketplace, caused by the UK Brexit.

Whilst our company lost the ability to recruit EU nationals, we have countered this by successfully being able to recruit mainly and directly from our local population. Thankfully we are surrounded by sufficient population to enable us to do this. Additionally, and with a view to fully resolving the many recruitment challenges arising due to the UK Brexit and across the entire span of hospitality, in spring 2022 we increased all company wage levels above the national minimum wage, and also actioned this regardless of age. This has certainly resolved our challenges, so much so that we now have very significant waiting lists of many individuals who wish to join our hotel brigade. In 2022 we also introduced a discretionary service charge on food and beverage, which is also phasing into main special events as well – this is further boosting employee remuneration.

Over recent years we have also seen very significant rises with the generalities of food and beverage costs, and we have very carefully considered and successfully actioned revised pricing to allow for this.

Over the last four years the hospitality sector has experienced a massive hike in insurance costs. Our company insurance costs have basically tripled, and we have needed to invest in and introduce fire suppression systems in all four of our production kitchens. Subsequently, and in contrast to the routine of previous annual re-negotiation and renewal, in 2022 we have been able to initiate multiple year insurance cover via Ecclesiastical, a company which specialises in historic and important properties.

Notwithstanding what does lie ahead due to the UK Brexit, the directors and management team have still nevertheless successfully managed to re-increase future diarised core trade bookings as well, with confidence therefore in all trading sustainability.

Looking ahead, core trade diaries continue to be excellent, and the directors remain fully committed to ensuring the equilibrium and status quo is successfully maintained.

In 2022 a further definitive award has been received from Haute Grandeur global hotel awards, 'Best Wedding Hotel', on a global level. This is the third time this award has been received, and is the sixth best-in-world global award received. The hotel has seen significant 2022 media coverage because of this. The directors consider that this unprecedented recognition will assist with current and future marketing.

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 over numerous years.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022**

As at 2007, the company made very significant investments in the region of £750,000 into achieving full planning consent for significant extensions, to comprise of additional bedrooms, and a state-of-the-art 550+ members spa and fitness facility. The directors feel that this addition would establish even greater commercial viability for decades to come. The potential of project completion remains on hold however, pending ability to finance. The directors highlight their expectation is that as the original £750,000 was impaired within accounts, the original investment will fully pave its way back into annual accounts, as and when the project finalises.

The directors are fully committed to continuing to embrace all director legal and regulatory compliance within Companies Act 2006. The directors have a focus on considering industry trends, innovation, and evolution. The ongoing development is all encompassed within the overview of the interests of our company employees, relationships with suppliers, the company's impact upon local community and environment, and accelerating the existing high reputation for business conduct.

Via 2020 Scottish Enterprise £60,000 funding, the directors successfully actioned an extremely comprehensive Feasibility Study via specialised spa consultancy, designer and architect services, in a complete internal re-design and design modernisation of the buildings for which we have planning permission consent for in 2007, but have not yet built. The directors consider that the end result of this project will enable the company to potentially move to actual project consideration at any point over many years to come, subject of course to being able to finance. We highlight, that as and when decisions are taken to proceed, the project is conceived and designed absolutely, in such as way, that it can be screened off in entirety, and physically created whilst there is no disruption whatsoever to normal trade.

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. Other than the implications previously imposed by the Covid-19 pandemic, 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.

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, category A Listed 1777 with national importance, which also doubles today as a very significant tourism tax generator.

Across the span of systems, the company is now in the process of structuring new financing of £75,000 to invest in two defined projects with numerous future energy-saving capabilities.

The directors mitigate risks by focussing on cutting edge marketing using organically-grown in-house digitalised platforms, and modern era automated efficiencies. We retain 25,000 GDPR compliant email addresses for monthly marketing, and we produce our own in-house monthly E:newsletters. Social media continues to grow, with more than 50,000 followers.

The company provides excellent services to all guests, and has a reputation and awards to back up the completely unique facilities.

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 financial institutions. The interest rate on the loans from financial institutions is both fixed and variable. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022**

Safety and health, the environment and quality

During 2022 the company established an internal management team Environmental Taskforce, meeting monthly to discuss and implement all evolution.

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 and signed on its behalf.

Mr N N Russell
Director

Date: 27 January 2023

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2022**

The directors present their report and the financial statements for the year ended 30 April 2022.

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.

Results and dividends

The loss for the year, after taxation, amounted to £7,363 (2021 - loss £816,841).

There are no proposed dividends for the year ended 30 April 2022.

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.

Post balance sheet events

Other than the ongoing impact of Covid-19 there have been no significant events affecting the Company since the year end.

BALBIRNIE HOUSE HOTEL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2022**

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 and signed on its behalf.

Mr N N Russell
Director

Date: 27 January 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BALBIRNIE HOUSE HOTEL LIMITED

Opinion

We have audited the financial statements of Balbirnie House Hotel Limited (the 'Company') for the year ended 30 April 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinion on other matters 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 the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

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.

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

Mark Gibson (Senior statutory auditor)
for and on behalf of
EQ Accountants LLP (Statutory auditors)

Chartered Accountants

Pentland House

Saltire Centre

Glenrothes

Fife

KY6 2AH

27 January 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2022**

		2022	2021
		£	£
Turnover	4	3,565,806	1,159,618
Cost of sales		(797,485)	(428,198)
Gross profit		2,768,321	731,420
Administrative expenses		(2,733,055)	(1,878,987)
Other operating income	5	43,358	396,791
Operating profit/(loss)	6	78,624	(750,776)
Interest payable and similar expenses	10	(85,987)	(66,065)
Loss before tax		(7,363)	(816,841)
Loss for the financial year		(7,363)	(816,841)

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2022

		2022 £	2021 £
Fixed assets			
Tangible assets	12	6,628,038	6,032,937
		<u>6,628,038</u>	<u>6,032,937</u>
Current assets			
Stocks	13	46,302	36,386
Debtors: amounts falling due within one year	14	42,941	31,193
Cash at bank and in hand		96,613	15,662
		<u>185,856</u>	<u>83,241</u>
Creditors: amounts falling due within one year	15	(1,759,489)	(1,431,204)
Net current liabilities		<u>(1,573,633)</u>	<u>(1,347,963)</u>
Total assets less current liabilities		<u>5,054,405</u>	<u>4,684,974</u>
Creditors: amounts falling due after more than one year	16	(2,448,246)	(2,728,921)
Accruals and deferred income	19	(107,069)	(110,168)
Net assets		<u><u>2,499,090</u></u>	<u><u>1,845,885</u></u>
Capital and reserves			
Called up share capital	20	54,675	54,675
Share premium account		246,350	246,350
Revaluation reserve		4,746,934	4,181,414
Other reserves		10,329	10,329
Profit and loss account		(2,559,198)	(2,646,883)
		<u><u>2,499,090</u></u>	<u><u>1,845,885</u></u>

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

Mr N N Russell
Director

Date: 27 January 2023

The notes on pages 17 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2021	54,675	246,350	4,181,414	10,329	(2,646,883)	1,845,885
Loss for the year	-	-	-	-	(7,363)	(7,363)
Transfer to/from revaluation reserve	-	-	-	-	95,048	95,048
Revaluation	-	-	660,568	-	-	660,568
Transfer to/from profit and loss account	-	-	(95,048)	-	-	(95,048)
At 30 April 2022	54,675	246,350	4,746,934	10,329	(2,559,198)	2,499,090

The notes on pages 17 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2020	54,675	246,350	4,276,462	10,329	(1,925,090)	2,662,726
Loss for the year	-	-	-	-	(816,841)	(816,841)
Transfer to/from revaluation reserve	-	-	-	-	95,048	95,048
Transfer to/from profit and loss account	-	-	(95,048)	-	-	(95,048)
At 30 April 2021	54,675	246,350	4,181,414	10,329	(2,646,883)	1,845,885

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(7,363)	(816,841)
Adjustments for:		
Depreciation of tangible assets	233,646	256,997
Government grants	(24,003)	(353,291)
Interest paid	85,987	66,065
(Increase)/decrease in stocks	(9,916)	2,239
(Increase) in debtors	(11,748)	(9,091)
Increase in creditors	452,875	207,467
Net cash generated from operating activities	719,478	(646,455)
Cash flows from investing activities		
Purchase of tangible fixed assets	(168,179)	(206,844)
Government grants received	24,003	463,459
HP interest paid	(23,886)	(19,045)
Net cash from investing activities	(168,062)	237,570
Cash flows from financing activities		
New secured loans	-	525,000
Repayment of loans	(264,329)	-
Repayment of/new finance leases	6,404	(37,464)
Interest paid	(62,101)	(47,020)
Net cash used in financing activities	(320,026)	440,516
Net increase in cash and cash equivalents	231,390	31,631
Cash and cash equivalents at beginning of year	(134,777)	(166,408)
Cash and cash equivalents at the end of year	96,613	(134,777)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	96,613	15,662
Bank overdrafts	-	(150,439)
	96,613	(134,777)

The notes on pages 17 to 30 form part of these financial statements.

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 APRIL 2022**

	At 1 May 2021	Cash flows	New finance leases	At 30 April 202
	£	£	£	£
Cash at bank and in hand	15,662	80,951	-	96,613
Bank overdrafts	(150,439)	150,439	-	-
Debt due after 1 year	(2,634,590)	289,849	-	(2,344,741)
Debt due within 1 year	(230,000)	(25,520)	-	(255,520)
Finance leases	(151,380)	59,879	(66,283)	(157,784)
	<u>(3,150,747)</u>	<u>555,598</u>	<u>(66,283)</u>	<u>(2,661,432)</u>

The notes on pages 17 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

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 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered a period of 12 months from the date of approval of the financial statements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover 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

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

2. Accounting policies (continued)

2.6 Finance costs

Finance costs are charged to profit or loss 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.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Taxation

Tax is recognised in profit or loss 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 reporting date in the countries where the Company operates and generates income.

2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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 profit or loss.

2.11 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 reporting date.

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

Revaluation gains and losses are recognised in other 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.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 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 2022**

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting 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.

2.17 Financial instruments

The Company only enters into basic financial instrument 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 ordinary shares.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

4. Turnover

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

	2022 £	2021 £
Accommodation	641,213	159,686
Room hire	194,012	12,142
Food and drink	2,641,646	948,843
Other income	88,935	38,947
	<u>3,565,806</u>	<u>1,159,618</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2022 £	2021 £
Government grants receivable	20,904	352,000
Insurance claims receivable	19,355	-
Grant amortisation	3,099	44,791
	<u>43,358</u>	<u>396,791</u>

6. Operating profit/(loss)

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

	2022 £	2021 £
Depreciation of tangible fixed assets	233,646	256,997
Other operating lease rentals	<u>10,926</u>	<u>4,541</u>

7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>10,500</u>	<u>10,140</u>

BALBIRNIE HOUSE HOTEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****8. Employees**

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

	2022	2021
	£	£
Wages and salaries	1,589,263	954,306
Social security costs	100,693	74,937
Cost of defined contribution scheme	25,111	23,737
	<u>1,715,067</u>	<u>1,052,980</u>

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

	2022	2021
	No.	No.
Kitchen staff	27	16
Reception and front of house staff	51	34
Management and admin staff	9	8
Housekeeping and maintenance	11	7
	<u>98</u>	<u>65</u>

9. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	110,470	100,356
Company contributions to defined contribution pension schemes	1,571	2,890
	<u>112,041</u>	<u>103,246</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

10. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	62,101	40,256
Other loan interest payable	-	6,764
Finance leases and hire purchase contracts	23,886	19,045

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

11. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - *lower than*) the standard rate of corporation tax in the UK of 25% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(7,363)</u>	<u>(816,841)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2021 - 19%)	(1,841)	(155,200)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	31,179	27,768
Unrecognised deferred tax asset	(29,338)	127,432
	<u> </u>	<u> </u>
Total tax charge for the year	<u><u>-</u></u>	<u><u>-</u></u>

Factors that may affect future tax charges

There is an increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) which was enacted on 11 March 2021. The 19% rate will continue to apply for companies with profits up to £50,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

12. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Spa develop- ment £	Total £
Cost or valuation						
At 1 May 2021	7,266,558	778,168	61,374	2,420,960	820,647	11,347,707
Additions	-	4,412	-	163,767	-	168,179
Revaluations	(1,146,420)	-	-	-	-	(1,146,420)
At 30 April 2022	6,120,138	782,580	61,374	2,584,727	820,647	10,369,466
Depreciation						
At 1 May 2021	1,661,759	767,144	22,424	2,042,796	820,647	5,314,770
Charge for the year on owned assets	145,229	2,430	10,912	75,075	-	233,646
On revalued assets	(1,806,988)	-	-	-	-	(1,806,988)
At 30 April 2022	-	769,574	33,336	2,117,871	820,647	3,741,428
Net book value						
At 30 April 2022	6,120,138	13,006	28,038	466,856	-	6,628,038
At 30 April 2021	5,604,799	11,024	38,950	378,164	-	6,032,937

Freehold land and buildings, comprising the hotel property, fixtures, fittings, plant and equipment were revalued during the year to 30 April 2022 at £6,600,000.

This revaluation was prepared by Colliers International Property Consultants Limited at market value in accordance with VPS 4.4 of the Professional Standards issued by The Royal Institution of Chartered Surveyors.

In the event that the freehold land and buildings was sold at its revalued amount a tax charge of approximately £473,153 would arise. This has not been provided for in the accounts as a deferred tax asset of £631,530 exists and has not been provided.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

12. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Freehold property	9,141	9,228
Motor vehicles	28,038	38,950
Furniture, fittings and equipment	162,018	115,454
	<u>199,197</u>	<u>163,632</u>

Cost or valuation at 30 April 2022 is as follows:

	Land and buildings £
At cost	2,514,148
At valuation:	
Revaluations as at 30 April 2022	<u>3,605,990</u>
	<u>6,120,138</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2022 £	2021 £
Cost	2,514,148	2,514,148
Accumulated depreciation	(1,141,896)	(1,090,763)
Net book value	<u>1,372,252</u>	<u>1,423,385</u>

13. Stocks

	2022 £	2021 £
Food and drink stock	46,302	36,386
	<u>46,302</u>	<u>36,386</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

14. Debtors

	2022	2021
	£	£
Trade debtors	26,706	10,796
Other debtors	6,392	7,208
Prepayments and accrued income	9,843	13,189
	<u>42,941</u>	<u>31,193</u>

15. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank overdrafts	-	150,439
Bank loans	255,520	230,000
Trade creditors	230,592	91,732
Other taxation and social security	202,587	44,688
Obligations under finance lease and hire purchase contracts	54,279	57,049
Other creditors	81,215	15,476
Accruals and deferred income	935,296	841,820
	<u>1,759,489</u>	<u>1,431,204</u>

Secured loans

Bank loans of £208,646 (2021 - £180,000) and overdraft of £nil (2021 - £150,439) are secured by way of a standard security over the property of the company and a bond and floating charge.

Finance leases and hire purchase liabilities of £54,279 (2021 - £57,049) are secured by the relevant assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

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

	2022	<i>2021</i>
	£	£
Bank loans	2,344,741	2,634,590
Net obligations under finance leases and hire purchase contracts	103,505	94,331
	<u>2,448,246</u>	<u>2,728,921</u>

Secured loans

Bank loans of £1,914,610 (2021- £2,159,590) are secured by way of a standard security over the property of the company and a bond and floating charge.

Finance leases and hire purchase liabilities of £103,505 (2021- £94,331) are secured by the relevant assets.

17. Loans

Analysis of the maturity of loans is given below:

	2022	<i>2021</i>
	£	£
Amounts falling due within one year		
Bank loans	255,520	230,000
	<u>255,520</u>	<u>230,000</u>
Amounts falling due 1-2 years		
Bank loans	263,292	285,000
	<u>263,292</u>	<u>285,000</u>
Amounts falling due 2-5 years		
Bank loans	838,908	855,000
	<u>838,908</u>	<u>855,000</u>
Amounts falling due after more than 5 years		
Bank loans	1,242,541	1,494,590
	<u>1,242,541</u>	<u>1,494,590</u>
	<u>2,600,261</u>	<u>2,864,590</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

18. Financial instruments

	2022	<i>2021</i>
	£	<i>£</i>
Financial assets		
Financial assets measured at fair value through profit or loss	96,613	<i>15,662</i>
Financial assets that are debt instruments measured at amortised cost	33,098	<i>18,004</i>
	<u>129,711</u>	<i><u>33,666</u></i>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,847,364)</u>	<i><u>(3,813,618)</u></i>
Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.		
Financial assets that are debt instruments measured at amortised cost comprise of trade debtors and other debtors.		
Financial liabilities measured at amortised cost comprise of trade creditors, accruals, other creditors and bank loans.		

19. Accruals and deferred income

	2022	<i>2021</i>
	£	<i>£</i>
Grants received	154,959	<i>154,959</i>
Amortisation	(47,890)	<i>(44,791)</i>
	<u>107,069</u>	<i><u>110,168</u></i>

20. Share capital

	2022	<i>2021</i>
	£	<i>£</i>
Allotted, called up and fully paid		
54,675 (2021 - 54,675) Ordinary shares of £1.00 each	<u>54,675</u>	<i><u>54,675</u></i>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

21. Capital commitments

At 30 April 2022 the Company had capital commitments as follows:

	2022 £	2021 £
Contracted for but not provided in these financial statements	-	62,866
	<u>-</u>	<u>62,866</u>
	<u>-</u>	<u>62,866</u>

22. 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 £25,111 (2021 - £23,737). Contributions totaling £5,935 (2021 - £nil) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

At 30 April 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	7,431	4,034
Later than 1 year and not later than 5 years	9,908	-
	<u>17,339</u>	<u>4,034</u>
	<u>17,339</u>	<u>4,034</u>

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