

BALBIRNIE HOUSE HOTEL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

BALBIRNIE HOUSE HOTEL LIMITED

COMPANY INFORMATION

Directors	Mr N N Russell Mrs R S Spence Mrs G Russell
Registered number	SC114360
Registered office	Balbirnie House Balbirnie Park Markinch Glenrothes Fife KY7 6NE
Independent auditors	EQ Audit Services LLP Chartered Accountants Pentland House Saltire Centre Glenrothes Fife KY6 2AH

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2023**

Introduction

The directors have the pleasure in presenting their strategic report for the year ended 30 April 2023.

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. Whilst bottom line financial results within this year have not finalised as we would have previously hoped, the directors continue to be satisfied with the present and future operations of the company.

In context and with regards to the future, the directors have an ongoing perspective of wishing to keep maintaining, improving and safeguarding the Category A Listed 1777 assets of Balbirnie House, as premises within which we are able to keep delivering the remits of heading £75M of successful trading over the next decade.

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.

The directors acknowledge these latest accounts show a loss, which was created partly, from the continuing financial implications once again, of having government-enforced national hospitality severely restricted with ongoing operational restrictions due to Covid pandemic. We are of course carrying new debts which arose due to government-enforced lockdowns. Additionally, the hospitality sector is contending with very significant increases in the cost of electricity and gas supplies. Over the trading year we also saw very significant inflationary increases across the entire span of food and energy supplies. Today, we are also contending with very significant rises in interest rates as well.

Whilst the losses of £186,886 are significantly more than previous year financial year losses of £7,363 – (and writing this report as at December 2023 ten months after the financial year in question) we are very optimistic as regards the trading future.

As at July 2023 we successfully completed a long term re-structuring of term loan debt with HSBC. This has successfully reduced our annual debt funding, and will therefore assist cash flow.

Whilst cash flow remains tight today, somewhat heightened by seasonal fluctuations with core trade client deposits, our directors have successfully ensured that we have ongoing access to introducing additional funds to cash flow, if need be.

Moving ahead, 1. We have successfully funded, and have introduced new systems for remunerated electric vehicle charging. This is set to make a new financial contribution, as well as bringing improvements with sustainability.

Also moving ahead 2. We have also introduced new state-of-the-art technology to deliver remunerated parking across the entire span of our parking portfolio. This is also set to make a new financial contribution.

The combination of 1 and 2 above is made possible by advancements in technology. Whilst new revenue streams are envisaged as making a small percentage of future company revenue, we consider that both new additions will help support the ongoing protection, maintenance and development of Balbirnie House, as a Category A listed building, of national and international architectural and historic importance for Scotland.

We have traded through the many challenges of the pandemic, and then gone on to see the 2022/23 financial year become our busiest trading year in company history. In that year however, and despite all ongoing focus and efforts, our very significant fixed and operating costs have been marginally more, than our net of VAT revenue. Our ongoing focus therefore remains on doing everything possible with efficient purchasing and procurement, together with necessary adjustments to our pricing.

BALBIRNIE HOUSE HOTEL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2023

The directors are optimistic based on current projections, and with management accounts showing a record-breaking first half of the 2023/ 24 financial year, that financial results to the end of April 2024 may show a return to profit. We suggest that it is conceivable that our company may now finally return to profit, four financial years after the negative financial implications of the pandemic lockdowns.

We will therefore consider fast tracking production of our next annual accounts.

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 early 2023 we invested in new systems and totally new consideration, with regards to how we create future annual budgeting and forecasting, with methodology defined on a day-by-day and departmental basis, also revolving around statistics for core trade. We are optimistic that this can bring more accuracy into planning for, and forecasting the future.

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

	2023	2022
	£	£
Turnover	4,416,390	3,565,806
Gross profit	3,390,258	2,768,321
Profit/(Loss) before interest and tax	(32,051)	78,624

In 2022 the directors transitioned from an entirely optional gratuity system, into one of being discretionary yet defined on billing. This has been successfully actioned. The amounts in question are split monthly pro rata between Balbirnie's brigade, as opposed to previous 6 monthly. The result has been to improve employee retention.

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.

In 2023 a further definitive award has been received from Haute Grandeur global hotel awards, 'Best Wedding Hotel', on a global level. This is the fourth time this award has been received, and is the eighth best-in-world global award received. The hotel has seen very significant 2023 media coverage because of this. The directors consider that this unprecedented recognition will assist with current and future marketing.

In 2023 a further definitive award has been received from The Scottish Hotels of the Year, specifically 'Scotland's Wedding Hotel of the Year'. This is the fifteenth time this annual award has been received.

The directors consider that this unprecedented recognition will also 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.

As at 2007, the company made very significant investments in the region of £750,000 into achieving full planning consent for significant extensions circa 2,500 sq m, 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.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

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 redesign and design modernisation of the buildings for which we have extant 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 a way, that it can be screened off in entirety, and physically created whilst there is no disruption whatsoever to normal trade.

In the interim the directors have noted that there have recently been very significant advancements with 3D print construction, whereby there are massive and revolutionary savings on construction costs, elimination of waste during construction, and a faster timeline for construction.

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.

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, in complete contrast to other countries which provide ongoing financial assistance for architectural heritage, that there is no defined government assistance in Scotland, 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 and international architectural and design importance, which also doubles today as a very significant tourism tax generator.

The directors mitigate risks by focussing on cutting edge marketing using organically-grown in-house digitalised platforms, and modern era automated efficiencies. We retain circa 30,000 GDPR compliant email addresses for monthly marketing, and we produce our own in-house monthly E:newsletters. Social media presence 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.

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 2023**

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: 6 December 2023

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2023**

The directors present their report and the financial statements for the year ended 30 April 2023.

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 £186,886 (2022 - loss £7,363).

There are no proposed dividends for the year ended 30 April 2023.

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

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 2023**

Auditors

The auditors, EQ Audit Services 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: 6 December 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 2023, 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 2023 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.

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

Conclusions relating to going concern

The directors have prepared the financial statements on the going concern basis and have concluded that there are no material uncertainties that would cast significant doubt over the company's ability to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements ("the going concern period"). Further details in relation to their assessment and conclusions are included within the accounting policies in the notes to the financial statements.

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.

In making this conclusion we have evaluated the directors' assessment of the company's financial operations and cash flow requirements, in conjunction with a review of the inherent risk factors associated with the company's business model, and analysed how those risks may impact upon the company's performance and cash flow requirements for it to continue in operation for the going concern period.

In performing our evaluation, we have not identified any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements .

However, we recognise that although the assumptions that underpin the financial projections and assessment for the period of at least 12 months from the date of approval of the financial statements appear reasonable, we are not able to predict all future events or conditions that may have a material impact upon those assumptions and projections, in particular those that may impact upon the ability of the company to operate within its current credit facilities. Therefore, our conclusions should not be considered a guarantee as to the company's ability to continue as a going concern .

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.

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.

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

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.

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

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.

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

6 December 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023**

		2023	2022
		£	£
Turnover	4	4,416,390	3,565,806
Cost of sales		(1,026,132)	(797,485)
Gross profit		3,390,258	2,768,321
Administrative expenses		(3,427,168)	(2,733,055)
Other operating income	5	4,859	43,358
Operating (loss)/profit	6	(32,051)	78,624
Interest payable and similar expenses	10	(154,835)	(85,987)
Loss before tax		(186,886)	(7,363)
Loss for the financial year		(186,886)	(7,363)

There were no recognised gains and losses for 2023 or 2022 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 2023

		2023	2022
		£	£
Fixed assets			
Tangible assets	12	6,561,318	6,628,038
		<u>6,561,318</u>	<u>6,628,038</u>
Current assets			
Stocks	13	47,970	46,302
Debtors: amounts falling due within one year	14	54,637	42,941
Cash at bank and in hand	15	12,497	96,613
		<u>115,104</u>	<u>185,856</u>
Creditors: amounts falling due within one year	16	(1,959,898)	(1,759,489)
Net current liabilities		<u>(1,844,794)</u>	<u>(1,573,633)</u>
Total assets less current liabilities		<u>4,716,524</u>	<u>5,054,405</u>
Creditors: amounts falling due after more than one year	17	(2,300,350)	(2,448,246)
Accruals and deferred income	20	(103,970)	(107,069)
Net assets		<u><u>2,312,204</u></u>	<u><u>2,499,090</u></u>
Capital and reserves			
Called up share capital	21	54,675	54,675
Share premium account		246,350	246,350
Revaluation reserve		4,651,886	4,746,934
Other reserves		10,329	10,329
Profit and loss account		(2,651,036)	(2,559,198)
		<u><u>2,312,204</u></u>	<u><u>2,499,090</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: 6 December 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 2023**

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 May 2022	54,675	246,350	4,746,934	10,329	(2,559,198)	2,499,090
Loss for the year	-	-	-	-	(186,886)	(186,886)
Transfer to/from revaluation reserve	-	-	-	-	95,048	95,048
Transfer to/from profit and loss account	-	-	(95,048)	-	-	(95,048)
At 30 April 2023	54,675	246,350	4,651,886	10,329	(2,651,036)	2,312,204

**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 CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2023

	2023 £	2022 £
Cash flows from operating activities		
Loss for the financial year	(186,886)	(7,363)
Adjustments for:		
Depreciation of tangible assets	230,305	233,646
Loss on disposal of tangible assets	502	-
Government grants	-	(24,003)
Interest paid	151,736	85,987
(Increase) in stocks	(1,668)	(9,916)
(Increase) in debtors	(11,696)	(11,748)
Increase in creditors	117,219	452,875
Net cash generated from operating activities	299,512	719,478
Cash flows from investing activities		
Purchase of tangible fixed assets	(165,687)	(168,179)
Sale of tangible fixed assets	1,600	-
Government grants received	-	24,003
HP interest paid	(40,106)	(23,886)
Net cash from investing activities	(204,193)	(168,062)
Cash flows from financing activities		
New secured loans	95,000	-
Repayment of loans	(282,710)	(264,329)
Repayment of/new finance leases	44,747	6,404
Interest paid	(111,630)	(62,101)
Net cash used in financing activities	(254,593)	(320,026)
Net (decrease)/increase in cash and cash equivalents	(159,274)	231,390
Cash and cash equivalents at beginning of year	96,613	(134,777)
Cash and cash equivalents at the end of year	(62,661)	96,613
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	12,497	96,613
Bank overdrafts	(75,158)	-
	(62,661)	96,613

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

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 APRIL 2023**

	At 1 May 2022	Cash flows	New finance leases	At 30 April 2023
	£	£	£	£
Cash at bank and in hand	96,613	(84,116)	-	12,497
Bank overdrafts	-	(75,158)	-	(75,158)
Debt due after 1 year	(2,344,741)	181,239	-	(2,163,502)
Debt due within 1 year	(255,520)	6,471	-	(249,049)
Finance leases	(157,784)	65,003	(109,750)	(202,531)
	<u>(2,661,432)</u>	<u>93,439</u>	<u>(109,750)</u>	<u>(2,677,743)</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 2023**

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

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

The directors have prepared a detailed assessment of the company's financial operations and cash flow requirements to determine the company's ability to meet its obligations as they fall due for the foreseeable future, taking into account current and anticipated future performance, cash flows and projected liquidity headroom. Profit and loss account forecasts and post year end performance suggest the company returning to profitability, however, cash flow remains challenging with the company fully utilising available resources at certain points. Should additional working capital be required in the short term the directors are confident that this will be secured with their continued support and external sources of finance.

Based on the going concern assessment undertaken by the directors, they are of the opinion that the company will have adequate resources available to continue in operational existence over a period of at least 12 months from the date of approval of the financial statements, and so have prepared the financial statements on the going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

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 2023**

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

2. Accounting policies (continued)

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.

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 2023**

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 has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 2023**

4. Turnover

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

	2023 £	2022 £
Accommodation	772,185	641,213
Room hire	285,652	194,012
Food and drink	3,277,563	2,641,646
Other income	80,990	88,935
	<u>4,416,390</u>	<u>3,565,806</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2023 £	2022 £
Government grants receivable	-	20,904
Insurance claims receivable	1,760	19,355
Grant amortisation	3,099	3,099
	<u>4,859</u>	<u>43,358</u>

6. Operating (loss)/profit

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

	2023 £	2022 £
Depreciation of tangible fixed assets	230,305	233,646
Other operating lease rentals	5,811	10,926
(Profit)/loss on sale of tangible assets	<u>502</u>	<u>-</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2023 £	2022 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	13,000	10,500

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

8. Employees

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

	2023	2022
	£	£
Wages and salaries	1,978,277	1,589,263
Social security costs	172,582	100,693
Cost of defined contribution scheme	27,422	25,111
	<u>2,178,281</u>	<u>1,715,067</u>

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

	2023	2022
	No.	No.
Kitchen staff	34	27
Reception and front of house staff	69	51
Management and admin staff	11	9
Housekeeping and maintenance	15	11
	<u>129</u>	<u>98</u>

9. Directors' remuneration

	2023	2022
	£	£
Directors' emoluments	137,033	110,470
Company contributions to defined contribution pension schemes	2,642	1,571
	<u>139,675</u>	<u>112,041</u>

During the year retirement benefits were accruing to 2 directors (2022 - 2) in respect of defined contribution pension schemes.

10. Interest payable and similar expenses

	2023	2022
	£	£
Bank interest payable	114,729	62,101
Finance leases and hire purchase contracts	40,106	23,886
	<u>154,835</u>	<u>85,987</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

11. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - *higher than*) the standard rate of corporation tax in the UK of 25% (2022 - 25%). The differences are explained below:

	2023	2022
	£	£
Loss on ordinary activities before tax	<u>(186,886)</u>	<u>(7,363)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2022 - 25%)	(46,722)	(1,841)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	35,602	31,179
Unrecognised deferred tax asset	11,120	(29,338)
	<u> </u>	<u> </u>
Total tax charge for the year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

12. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Spa develop-ment £	Total £
Cost or valuation						
At 1 May 2022	6,120,138	782,580	61,374	2,584,727	820,647	10,369,466
Additions	-	29,141	5,825	130,721	-	165,687
Disposals	-	-	(2,283)	-	-	(2,283)
At 30 April 2023	6,120,138	811,721	64,916	2,715,448	820,647	10,532,870
Depreciation						
At 1 May 2022	-	769,574	33,336	2,117,871	820,647	3,741,428
Charge for the year on owned assets	122,403	7,112	11,792	88,998	-	230,305
Disposals	-	-	(181)	-	-	(181)
At 30 April 2023	122,403	776,686	44,947	2,206,869	820,647	3,971,552
Net book value						
At 30 April 2023	5,997,735	35,035	19,969	508,579	-	6,561,318
At 30 April 2022	6,120,138	13,006	28,038	466,856	-	6,628,038

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.

The directors are of the opinion that the carrying value per the accounts accurately reflects the current market value.

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 £516,243 exists and has not been provided.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

12. Tangible fixed assets (continued)

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

	2023 £	2022 £
Freehold property	8,953	9,141
Plant and machinery	12,737	-
Motor vehicles	17,125	28,038
Furniture, fittings and equipment	212,987	162,018
	<u>251,802</u>	<u>199,197</u>

Cost or valuation at 30 April 2023 is as follows:

	Land and buildings £
At cost	2,514,148
At valuation:	
Revaluations as at 30 April 2023	<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:

	2023 £	2022 £
Cost	2,514,148	2,514,148
Accumulated depreciation	(1,192,179)	(1,141,896)
	<u>1,321,969</u>	<u>1,372,252</u>
Net book value		

13. Stocks

	2023 £	2022 £
Food and drink stock	47,970	46,302
	<u>47,970</u>	<u>46,302</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

14. Debtors

	2023	2022
	£	£
Trade debtors	6,722	26,706
Other debtors	10,212	6,392
Prepayments and accrued income	37,703	9,843
	<u>54,637</u>	<u>42,941</u>

15. Cash and cash equivalents

	2023	2022
	£	£
Cash at bank and in hand	12,497	96,613
Less: bank overdrafts	(75,158)	-
	<u>(62,661)</u>	<u>96,613</u>

16. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Bank overdrafts	75,158	-
Bank loans	249,049	255,520
Trade creditors	247,304	230,592
Other taxation and social security	246,639	202,587
Obligations under finance lease and hire purchase contracts	65,683	54,279
Other creditors	37,980	81,215
Accruals and deferred income	1,038,085	935,296
	<u>1,959,898</u>	<u>1,759,489</u>

Secured loans

Bank loans of £120,000 (2022 - £208,646) and overdraft of £75,158 (2022 - £nil) 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 £65,683 (2022 - £54,279) are secured by the relevant assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

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

	2023	<i>2022</i>
	£	<i>£</i>
Bank loans	2,163,502	<i>2,344,741</i>
Net obligations under finance leases and hire purchase contracts	136,848	<i>103,505</i>
	<u>2,300,350</u>	<i><u>2,448,246</u></i>

Secured loans

Bank loans of £1,828,153 (2022 - £1,914,610) 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 £136,848 (2022 - £103,505) are secured by the relevant assets.

18. Loans

Analysis of the maturity of loans is given below:

	2023	<i>2022</i>
	£	<i>£</i>
Amounts falling due within one year		
Bank loans	249,049	<i>255,520</i>
	<u>249,049</u>	<i><u>255,520</u></i>
Amounts falling due 1-2 years		
Bank loans	255,736	<i>263,292</i>
	<u>255,736</u>	<i><u>263,292</u></i>
Amounts falling due 2-5 years		
Bank loans	649,613	<i>838,908</i>
	<u>649,613</u>	<i><u>838,908</u></i>
Amounts falling due after more than 5 years		
Bank loans	1,258,153	<i>1,242,541</i>
	<u>1,258,153</u>	<i><u>1,242,541</u></i>
	<u>2,412,551</u>	<i><u>2,600,261</u></i>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

19. Financial instruments

	2023	2022
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	12,497	96,613
Financial assets that are debt instruments measured at amortised cost	16,934	33,098
	<u>29,431</u>	<u>129,711</u>

Financial liabilities

Financial liabilities measured at amortised cost	<u>(3,811,078)</u>	<u>(3,847,364)</u>
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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 and overdrafts.

20. Accruals and deferred income

	2023	2022
	£	£
Grants received	154,959	154,959
Amortisation	(50,989)	(47,890)
	<u>103,970</u>	<u>107,069</u>

21. Share capital

	2023	2022
	£	£
Allotted, called up and fully paid		
54,675 (2022 - 54,675) Ordinary shares of £1.00 each	<u>54,675</u>	<u>54,675</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 £27,422 (2022 - £25,111). Contributions totaling £5,434 (2022 - £5,935) were payable to the fund at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

23. Commitments under operating leases

At 30 April 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023	2022
	£	£
Not later than 1 year	7,431	7,431
Later than 1 year and not later than 5 years	2,477	9,908
	<u>9,908</u>	<u>17,339</u>

24. Related party transactions

A director has provided a personal guarantee over unsecured loans.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.