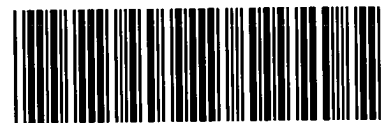


Company Registration No. SC185639 (Scotland)

**ST. ANDREWS BAY DEVELOPMENT LTD.
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022**

FRIDAY



ACIXC4BW

A33

22/12/2023

#14

COMPANIES HOUSE

ST. ANDREWS BAY DEVELOPMENT LTD.

COMPANY INFORMATION

Directors	John Chui Andrew Hedley Mark Henderson James Mailer Ronald Yang Dr D S Cheung
Secretary	Brodies Secretarial Services Limited
Company number	SC185639
Registered office	St Andrews Bay Golf Resort & Spa St Andrews Fife Scotland KY16 8PN
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor 2 Semple Street Edinburgh EH3 8BL
Bankers	The Bank of East Asia, Limited 75 Shaftesbury Avenue London W1D 5BB
Solicitors	Brodies LLP 58 Morrison Street Edinburgh EH3 8BP

ST. ANDREWS BAY DEVELOPMENT LTD.

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of business and results

The results for the year are set on page 13.

St. Andrews Bay Development Ltd. (the "Company") recorded a loss for the year of £2,872,870 (2021: £1,317,116) with turnover of £17,016,182 (2021: £12,073,070) and an operating loss of £596,973 (2021: operating profit of £303,359).

A strategy shift was implemented from June onwards, moving from a volume strategy towards an Average Day Rate (ADR) driven approach.

The Smith Travel Research (STR) set reduced ADR, whereas the Hotel increased ADR, reaching a fair share of the competitor set. The opposite picture is seen in Occupancy, where the Hotel dropped, and competition increased, leading to an Revenue Generated Index (RGI) of only 85.9. The mid-year rate strategy change did not have the desired effect in exchanging occupancy volume with an increased ADR.

The overall performance of the business improved in 2022 after being impacted by Covid until Mid-April 2021. With a strong performance in room revenue due to the above strategy shift and positive impact in occupancy rate after the end of Covid-19, this resulted in a 42% increase in the room revenue. The room revenue increased to £9,494,532 for the year ended 31 December 2022 from £6,629,394 for the year ended 31 December 2021. Revenue generated by food and beverage (F&B) operations increased to £4,554,789 for the year ended 31 December 2022 from £3,134,260 for the year ended 31 December 2021.

The resort continued to uphold the highest standards of health, safety and sanitization as implemented by Accor's ALLSAFE program.

Staffing has been challenging throughout the entire year. Key department head positions such as Executive Chef, F&B Director and Head of Marketing were vacant until the summer, causing disruption. Long-term serving Executive Committee (EXCOM) members such as General Manager, Commercial Director and Executive Assistant Manager have departed the business at various stages throughout the year. Organisational structural changes were applied, rebuilding the core leadership team with more talented people. Based on the local talent shortage, the F&B team was required to use agency staff at a higher cost.

A strong focus on cashflow management was enforced from 2020 to mid-April 2021, the annual capital investment plan was placed on hold with all purchasing requests reviewed on a case-by-case basis. In addition, the Asset Management fee and the shareholder's loan interest were deferred. This helped preserve the cashflow of the business to the best of our abilities. After the challenging COVID period, the cashflow is improved in the year ended 31 December 2022 by better business performance and the Annual Capital Investment has resumed. In order to preserve the cashflow of the business, the shareholder's loan interest for the year ended 31 December 2022 continued to be deferred.

The financial position of the Company is set out in the Statement of Financial Position on page 14.

The Company has net liabilities of £587,514 (2021: net assets of £1,430,312).

The directors consider risk factors that could materially and adversely affect the company's future operating profits and financial positions such as:

- Deterioration in general economic conditions exposed from Brexit, COVID-19, current climate, Ukraine & Gaza
- General economic risk – the company is exposed to general economic risk, including changes in the economic outlook in its principal markets and government changes in industrial, fiscal, monetary, or regulatory policies.

ST. ANDREWS BAY DEVELOPMENT LTD.

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key performance indicators

Business reporting procedures are in place and have been enhanced over the course of the last 12 months in order to review the trading performance more regularly.

The main performance indicators that are used by management to monitor performance are as follows:

- Gross Revenue, Gross Operating Profit ("GOP"), Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")
- Departmental profit margins, Cost of Goods against revenue, payroll against revenue margins
- Occupancy, Average Daily Rate, RevPar in relation to resort budget and forecasts benched against the Competitive Set

The principal key performance indicators:

	2022	2021
Turnover	£17,016,182	£12,073,070
Gross profit/(loss)	£7,436,956	£5,289,024
EBITDA	£668,850	£2,306,515
Occupancy %	51.08%	37.39%
Average room rate	241.95	230.24

The business levels have returned to pre-covid levels with international travel returning in 2022. The resort hosted the Hero Open again, in association with the European Tour, which welcomed the return of limited spectators and the event broadcasted to over 450m homes. In addition, the 150th Open in St. Andrews and the Open Qualifier with live TV broadcasting was hosted on site. It promoted fantastic international visibility for the Resort.

Credit risk

The Company's principal financial assets are trade debtors and cash balances. The amounts presented in the statement of financial position for trade debtors are net of allowances for doubtful receivables. The Company has no significant concentration of credit risk with exposure spread across a large number of customers. The credit risk of liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Company meets its day to day working capital requirements through the cash flow generated from its principal activities. The directors remain confident that the trading position of the resort will improve over the medium to long term as the economy recovers and as the benefits arising from the increased revenue generating potential of the resort and its facilities and action taken to rationalize the Company's cost base continue to be realised.

ST. ANDREWS BAY DEVELOPMENT LTD.

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors duties

Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making. The directors continue to have regard to the interests when making decisions, including the impact of its activities on the community, environment and the company's reputation.

Acting in good faith and in fairness, the directors consider what is most likely to promote the success of the company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, this explains in more detail how the Board engages with stakeholders and setting out how directors have discharged this duty.

All directors are aware of their statutory duties and on appointment to the Board, new directors are given opportunity to meet key stakeholders. The Board will continue to keep engagement methods under review to ensure that they remain effective. The following key points are important in the assessment of the compliance with the requirements of the s172 Statement:

- Ahead of all Board meetings, the directors are supplied with papers which highlight relevant stakeholder considerations and other factors considered relevant to the matter under consideration. The directors are in close contact with the senior management teams allowing good communication and feedback at a local level.
- The Board regularly considers the principal stakeholders and how they engage with them. The Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.
- The long term strategy of the company is monitored regularly to ensure this aligns with the vision of the company. The resulting assessment of future development helps inform the Board's decision making and the balance between short term and long term measures and actions.
- The Board continues to enhance its methods of engagement with the workforce through regular internal communications which are delivered by the management teams.
- The company's policies on a wide range of business and ethics related practices are regularly reviewed and updated as necessary so as to ensure continued compliance with legal and regulatory requirements and good industry practice. The Board monitor the group's policies through the ordinary course of business to ensure the policies are being adhered to.

On behalf of the board

Ronald Yang

Ronald Yang

Director

Date: 20/12/23

ST. ANDREWS BAY DEVELOPMENT LTD.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the operation of Fairmont St Andrews in Scotland, which includes a 211 room luxury hotel and conference centre, five restaurants, a spa, health and wellness centre and two Championship golf courses.

Results and dividends

The results for the company for the year are set out in the statement of comprehensive income on page 13 and in the related notes.

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Directors liability insurance

The Company has Directors Liability Insurance for all Directors.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

John Chui	
Andrew Hedley	
Mark Henderson	
James Mailer	
Ronald Tham	(Resigned 27 January 2022)
Fook Aun Chew	(Resigned 2 June 2023)
Ronald Yang	(Appointed 6 April 2022)
Richard Lui	(Appointed 2 June 2023 and resigned 3 October 2023)
Dr D S Cheung	(Appointed 3 October 2023)

Disabled persons

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for retraining employees who have become disabled, to enable them to perform work identified as appropriate to their aptitude and abilities.

Employee involvement

The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

ST. ANDREWS BAY DEVELOPMENT LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The Directors have prepared cash flow forecasts covering a period of 12 months to 31 December 2024. In doing so, they have considered current performance, financial projections and sensitivities to test the robustness of assumptions made. The assessment included a review of forecast revenue, profits, cashflow, liquidity and headroom on the suite of covenants associated with the borrowing facilities of the company. These forecasts include a base case which assumes a continuation of revenue based on the company's strategy to continue to track the competitive sets ADR, falling in line with annual growth & the general inflation, factoring in the latest macro-economic forecasts of inflation on both revenue and costs.

A severe but plausible downside scenario has been applied factoring in occupancy below 2022 actuals with a corresponding decrease in variable costs. The Directors believe this to be a severe but plausible downside scenario. In both instances modelled, the company will require the use of the overdraft facility to ease pressures on working capital and as a back-up for unexpected expenditures.

Directors also considered a reverse stress test scenario to identify the level of revenue reduction which would need to arise for the company to require additional financial resources or support. The Directors believe the risk of such circumstances in the 12 months following approval of these financial statements that would require additional financial resources or support is remote.

The company maintains its standing Facility Agreement with Bank of East Asia. The covenant suite attached to the Bank of East Asia term loan of £30m secured in 2020, includes a maximum loan to value (LTV) ratio covenant. The Company has performed the 2022 Valuation for the banks LTV covenant which is within the LTV ratio. The 2023 valuation is now complete with CBRE and valued at £50m which does not break our covenant.

In addition, the covenant suite includes an interest cover ratio (ICR). In Q2 and Q3 of 2023 the company had to increase the interest reserve account in order to meet the ICR requirements which is the company's EBITDA plus Interest reserve account ratio against the interest payments. The top up amount was £480,000 and £109,000. The ICR is tested quarterly and the next test by the Bank will take place in December 2023 and forecasts demonstrate compliance. Due to the economic outlook the Directors have performed stress tests on the ICR to understand the potential headroom in sensitivity analyses. Based on the forecasts and sensitivity analyses run the Directors are confident that the required interest cover will be met throughout the going concern period under both the baseline cash flow forecasts and the severe but plausible cash flow scenarios.

The company also maintains its Shareholder's Loan Agreement with Highlander Hospitality Group Limited (HHGL). The HHGL loan was due for repayment in 2024, however terms have been extended and this now falls due in November 2029. Interest payments associated with this loan have been deferred for this period in order to preserve the cash flow. This has been agreed in writing and signed off by the Directors of HHGL. The Shareholder Loan Agreement contains a cross-default clause. Having considered the cashflow assessments and the downside sensitivities, the Directors are confident, under both the baseline cash flow forecast and severe but plausible downside scenarios, that the required ICR and LTV covenants in the Bank of East Asia facility will be met and therefore no cross default will occur within the going concern period.

The analysis undertaken by the Directors, allow the Directors to conclude that the company will continue to operate within its agreed funding facilities and in a covenant compliance position, and is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation and to meet its liabilities as they fall due in the 12 months to 31 December 2024. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

ST. ANDREWS BAY DEVELOPMENT LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Future developments

The resort added several key management level appointments, notably a new General Manager, Head Chef and Director of F&B. The latter was a new role which gave us the opportunity to focus and enhance the F&B offering. The management apprentice scheme remained strong with the hotel focusing on developing this further in a difficult labour market. The spa, health and wellness offering business segment have also been revamped with the successful addition of ESPA, offering a higher level of luxury and brand in the spa business.

Looking forward, the hotel will continue to focus on its staff and has developed ongoing training and development to enhance the service levels.

Additional headcount in Sales & Marketing will be added as part of the focus on driving the brand through digital and conventional marketing. Focus will be added to the local market to grow F&B from this demographic where this has not been explored in previous years. Featured dates such as Fathers / Mother's Day, Easter and Christmas will offer the opportunity to host events for the community with the aim of growing revenues and enhancing our local reputation. This goes in hand with the recently enhanced Sports Bar, where the best-in-class golf simulator was added offering the local community as well as in-house guests this unique feature while growing F&B spend.

Growing the Average Daily Rate ("ADR") will continue to be a strategic goal as it has been throughout 2022. Incremental spend in room dining, mini bar and a greater focus on the wider F&B offerings are a strong opportunity for growth and the Hotels Management are working on strategic plans to develop and grow revenue in this department as well as increasing the service levels.

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

ST. ANDREWS BAY DEVELOPMENT LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon reporting

The following information is provided under the Streamlined Energy and Carbon Reporting (SECR) data requirements for unquoted 'large' companies.

<i>Energy consumption</i>	kWh	kWh	kWh	kWh
Aggregate of energy consumption in the year				
- Gas combustion	10,190,617		6,962,491	
- Fuel consumed for transport	107,550		108,920	
- Electricity purchased	1,714,718		2,565,540	
	<u>12,012,885</u>		<u>9,636,951</u>	
<i>Emissions of CO2 equivalent</i>	Metric tonnes	Metric tonnes	Metric tonnes	Metric tonnes
Scope 1 - direct emissions				
- Gas combustion	1,906.96		1,812.52	
- Fuel consumed for owned transport	27.96		2.85	
	<u>1,934.92</u>		<u>1,815.37</u>	
Scope 2 - indirect emissions				
- Electricity purchased		364.08		541.59
Scope 3 - other indirect emissions				
- Fuel consumed for transport not owned by the company		-		-
Total gross emissions		<u>2,299.00</u>		<u>2,356.96</u>
Intensity ratio				
Tonnes CO2e per employee		<u>7.49</u>		<u>5.12</u>

Quantification and reporting methodology

We have followed the 2022 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e vs total revenue, the recommended ratio for the sector.

Measures taken to improve energy efficiency

Continual monitoring and alterations of HVAC time-clocking to match new business profile. Outlets closed/ amalgamated during quiet periods. Further alteration of variable speed drives to reduce main plant energy consumption.

High Gas rates limited runtime of Combined Heat and Power Unit, so most energy saving measures were accomplished by managing electrical systems.

ST. ANDREWS BAY DEVELOPMENT LTD.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Ronaldyang

.....
Ronald Yang
Director

Date: 20/12/23

ST. ANDREWS BAY DEVELOPMENT LTD.

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST. ANDREWS BAY DEVELOPMENT LTD.

Opinion

We have audited the financial statements of St. Andrews Bay Development Ltd. (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's 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 UK, including the FRC'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 auditor's 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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 AUDITOR'S REPORT TO THE MEMBERS OF ST. ANDREWS BAY DEVELOPMENT LTD. (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 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 9, 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.

Auditor's 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 auditor's 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST. ANDREWS BAY DEVELOPMENT LTD. (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Licensing (Scotland) Act 2005, food safety and hygiene regulations, employment legislation and data protection. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing controls around revenue recognition, analytical review with reference to cash receipts recorded and specific cut off testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Monaghan

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

.....
20/12/23

ST. ANDREWS BAY DEVELOPMENT LTD.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	17,016,182	12,073,070
Cost of sales		(9,579,226)	(6,784,046)
Gross profit		7,436,956	5,289,024
Administrative expenses		(8,033,929)	(5,651,271)
Other operating income	3	-	665,606
Operating (loss)/profit	5	(596,973)	303,359
Interest receivable and similar income		-	234
Interest payable and similar expenses	6	(2,275,897)	(1,620,709)
Loss before taxation		(2,872,870)	(1,317,116)
Tax on loss	7	-	-
Loss for the financial year		(2,872,870)	(1,317,116)
Other comprehensive income net of taxation			
Revaluation of tangible fixed assets		855,044	3,030,658
Total comprehensive income/(loss) for the year		(2,017,826)	1,713,542

ST. ANDREWS BAY DEVELOPMENT LTD.**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	8		3,780		4,725
Tangible assets	9		50,600,000		50,500,000
			<u>50,603,780</u>		<u>50,504,725</u>
Current assets					
Stocks	10	225,457		179,611	
Debtors	11	679,471		611,258	
Cash at bank and in hand		1,696,839		2,854,829	
		<u>2,601,767</u>		<u>3,645,698</u>	
Creditors: amounts falling due within one year	12	(7,163,045)		(6,090,095)	
Net current liabilities			<u>(4,561,278)</u>		<u>(2,444,397)</u>
Total assets less current liabilities			46,042,502		48,060,328
Creditors: amounts falling due after more than one year	13		(46,630,016)		(46,630,016)
Net (liabilities)/assets			<u>(587,514)</u>		<u>1,430,312</u>
Capital and reserves					
Called up share capital	15		10,101,110		10,101,110
Share premium account			41,269,924		41,269,924
Revaluation reserve			15,700,954		14,845,910
Profit and loss reserves			<u>(67,659,502)</u>		<u>(64,786,632)</u>
Total equity			<u>(587,514)</u>		<u>1,430,312</u>

The financial statements were approved by the board of directors and authorised for issue on 20/12/23 and are signed on its behalf by:

Ronald Yang

Ronald Yang
Director

ST. ANDREWS BAY DEVELOPMENT LTD.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2021	10,101,110	41,269,924	11,815,252	(63,469,516)	(283,230)
Year ended 31 December 2021:					
Loss for the year	-	-	-	(1,317,116)	(1,317,116)
Other comprehensive income net of taxation:					
Revaluation of tangible fixed assets	-	-	3,030,658	-	3,030,658
Total comprehensive income for the year	-	-	3,030,658	(1,317,116)	1,713,542
Balance at 31 December 2021	10,101,110	41,269,924	14,845,910	(64,786,632)	1,430,312
Year ended 31 December 2022:					
Loss for the year	-	-	-	(2,872,870)	(2,872,870)
Other comprehensive income net of taxation:					
Revaluation of tangible fixed assets	-	-	855,044	-	855,044
Total comprehensive income for the year	-	-	855,044	(2,872,870)	(2,017,826)
Balance at 31 December 2022	10,101,110	41,269,924	15,700,954	(67,659,502)	(587,514)

ST. ANDREWS BAY DEVELOPMENT LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	17	1,627,741		4,010,638	
Interest paid		(2,275,897)		(1,620,709)	
Net cash (outflow)/inflow from operating activities		(648,156)		2,389,929	
Investing activities					
Purchase of intangible assets		-		(4,725)	
Purchase of tangible fixed assets		(509,834)		(163,966)	
Interest received		-		234	
Net cash used in investing activities		(509,834)		(168,457)	
Net (decrease)/increase in cash and cash equivalents		(1,157,990)		2,221,472	
Cash and cash equivalents at beginning of year		2,854,829		633,357	
Cash and cash equivalents at end of year		1,696,839		2,854,829	

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

St. Andrews Bay Development Ltd. is a private company limited by shares and is registered and incorporated in Scotland. The registered office is St Andrews Bay Golf Resort & Spa, St Andrews, Fife, Scotland, KY16 8PN.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Going concern

The Directors have prepared cash flow forecasts covering a period of 12 months to 31 December 2024. In doing so, they have considered current performance, financial projections and sensitivities to test the robustness of assumptions made. The assessment included a review of forecast revenue, profits, cashflow, liquidity and headroom on the suite of covenants associated with the borrowing facilities of the company. These forecasts include a base case which assumes a continuation of revenue based on the company's strategy to continue to track the competitive sets ADR, falling in line with annual growth & the general inflation, factoring in the latest macro-economic forecasts of inflation on both revenue and costs.

A severe but plausible downside scenario has been applied factoring in occupancy below 2022 actuals with a corresponding decrease in variable costs. The Directors believe this to be a severe but plausible downside scenario. In both instances modelled, the company will require the use of the overdraft facility to ease pressures on working capital and as a back-up for unexpected expenditures.

Directors also considered a reverse stress test scenario to identify the level of revenue reduction which would need to arise for the company to require additional financial resources or support. The Directors believe the risk of such circumstances in the 12 months following approval of these financial statements that would require additional financial resources or support is remote.

The company maintains its standing Facility Agreement with Bank of East Asia. The covenant suite attached to the Bank of East Asia term loan of £30m secured in 2020, includes a maximum loan to value (LTV) ratio covenant. The Company has performed the 2022 Valuation for the banks LTV covenant which is within the LTV ratio. The 2023 valuation is now complete with CBRE and valued at £50m which does not break our covenant.

In addition, the covenant suite includes an interest cover ratio (ICR). In Q2 and Q3 of 2023 the company had to increase the interest reserve account in order to meet the ICR requirements which is the company's EBITDA plus Interest reserve account ratio against the interest payments. The top up amount was £480,000 and £109,000. The ICR is tested quarterly and the next test by the Bank will take place in December 2023 and forecasts demonstrate compliance. Due to the economic outlook the Directors have performed stress tests on the ICR to understand the potential headroom in sensitivity analyses. Based on the forecasts and sensitivity analyses run the Directors are confident that the required interest cover will be met throughout the going concern period under both the baseline cash flow forecasts and the severe but plausible cash flow scenarios.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

The company also maintains its Shareholder's Loan Agreement with Highlander Hospitality Group Limited (HHGL). The HHGL loan was due for repayment in 2024, however terms have been extended and this now falls due in November 2029. Interest payments associated with this loan have been deferred for this period in order to preserve the cash flow. This has been agreed in writing and signed off by the Directors of HHGL. The Shareholder Loan Agreement contains a cross-default clause. Having considered the cashflow assessments and the downside sensitivities, the Directors are confident, under both the baseline cash flow forecast and severe but plausible downside scenarios, that the required ICR and LTV covenants in the Bank of East Asia facility will be met and therefore no cross default will occur within the going concern period.

The analysis undertaken by the Directors, allow the Directors to conclude that the company will continue to operate within its agreed funding facilities and in a covenant compliance position, and is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation and to meet its liabilities as they fall due in the 12 months to 31 December 2024. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Revenue is recognised when rooms are occupied and food and beverages are sold.

Revenue received for hotel bookings and golf and spa activities not yet fulfilled at the year end are held as deferred income in the statement of financial position until the activity is completed and the revenue is recognised at that point.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from the business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	5 years
----------	---------

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at valuation, net of depreciation and any impairment losses. The subsequent valuation of the fair value of the tangible fixed assets is measured at each reporting end date by a RICS qualified valuer using market-based evidence.

Depreciation is recognised so as to write off the cost or valuation of assets over their useful lives on the following bases:

Freehold land and buildings	40 years (2.5-20% Straight line)
Plant and equipment	5 years (10-20% Straight line)

Any freehold land is not depreciated. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged through Other Comprehensive Income.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price. The costs comprises the purchase costs of the stock for resale.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all its financial instruments.

Financial instruments are recognised 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.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model measured at fair value, deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Government grants

Government grants relate to income received under the UK Government's Coronavirus Job Retention Scheme.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

The preparation of figures in these financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on historic information and experience. The most significant areas where judgements and estimates are applied are:

- Fair value of tangible assets - properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount. The fair value of the land and buildings is usually considered to their market value. The estimation of market value requires the Directors value to use a combination of assumptions relating to occupancy rates, average room rates, revenue per available room and cost rates as well as comparable data for competitors to determine the open market value.

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by class of business		
Rooms	9,494,532	6,629,934
Food and beverage	4,554,789	3,134,260
Other	2,966,861	2,308,876
	<u>17,016,182</u>	<u>12,073,070</u>
	2022 £	2021 £
Other revenue		
Interest income	-	234
Grants received	-	665,606
	<u>-</u>	<u>665,606</u>

The company received government grants in relation to the Job Retention Scheme in prior year in order to retain the workforce during the restrictions on working practices.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Administration	20	15
Hotel operations	447	343
Total	467	358

The average monthly number of effective full-time employees (EFTEs), which is based on the number of hours worked, (including Directors) employed by the company during the year was:

	2022 Number	2021 Number
Administration	19	15
Hotel operations	188	154
Total	207	169

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	6,220,945	4,994,529
Social security costs	488,475	342,414
Pension costs	157,218	118,112
	6,866,638	5,455,055

5 Operating (loss)/profit

	2022 £	2021 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Government grants	-	(665,606)
Fees payable to the company's auditor for the audit of the company's financial statements	39,500	71,816
Depreciation of owned tangible fixed assets	1,264,878	1,694,624
Amortisation of intangible assets	945	-
Operating lease charges	183,934	102,538

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

6 Interest payable and similar expenses

	2022 £	2021 £
Other finance costs:		
Other interest	2,275,897	1,620,709

7 Taxation

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2022 £	2021 £
Loss before taxation	(2,872,870)	(1,317,116)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 0% (2021: 19.00%)	-	(250,252)
Tax effect of expenses that are not deductible in determining taxable profit	-	250,252
Taxation charge for the year	-	-

The UK corporation tax rate was set to reduce to 17% from 1 April 2020 but subsequently amended to remain at 19% for the years starting 1 April 2020 and 1 April 2021 in the 2020 budget.

On 24 May 2021, the UK government increased the rate of UK corporation tax rate from 19% to 25% with effect from 1 April 2023. Deferred tax not recognised of £13 million (2021: £16 million) relating to fixed assets of £4 million (2021: £7 million), timing differences of £2 million (2021: £2 million) and losses of £8 million (2021: £7 million) is not recognised due to uncertainty over its recoverability.

8 Intangible fixed assets

	Software £
Cost	
At 1 January 2022 and 31 December 2022	4,725
Amortisation and impairment	
Amortisation charged for the year	945
At 31 December 2022	945
Carrying amount	
At 31 December 2022	3,780
At 31 December 2021	4,725

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Total £
Valuation			
At 1 January 2022	44,905,626	17,092,107	61,997,733
Additions	21,486	488,348	509,834
Revaluation	(18,564)	(11,889,003)	(11,907,567)
At 31 December 2022	44,908,548	5,691,452	50,600,000
Depreciation and impairment			
At 1 January 2022	-	11,497,733	11,497,733
Depreciation charged in the year	873,608	391,270	1,264,878
Revaluation	(873,608)	(11,889,003)	(12,762,611)
At 31 December 2022	-	-	-
Carrying amount			
At 31 December 2022	44,908,548	5,691,452	50,600,000
At 31 December 2021	44,905,626	5,594,374	50,500,000

All assets were valued on an open market basis in December 2022 by CBRE, a RICS firm of Property Advisors. The independent valuation indicated a fair market value of £50,600,000 (2021: £50,500,000). The valuation's assumptions include but are not limited to: stabilised occupancy (73% in 2023), stabilised ADR (£182 in 2023), F&B income upon stabilisation (32% in 2023), EBITDA margin after FF&E (18.32% in 2023).

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2022 £	2021 £
Cost	45,086,768	44,576,934
Accumulated depreciation	(10,187,724)	(8,922,846)
Carrying value	34,899,044	35,654,088

Included with freehold land and buildings is freehold land of £7,300,000 (2021: £7,300,000) which is not depreciated.

10 Stocks

	2022 £	2021 £
Finished goods and goods for resale	225,457	179,611

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Stocks (Continued)

Inventories of £1.5 million (2021: £0.9 million) were expensed during the year.

11 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	174,017	347,962
Other debtors	221,493	109,341
Prepayments and accrued income	283,961	153,955
	<u>679,471</u>	<u>611,258</u>

12 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	525,258	115,905
Taxation and social security	248,723	7,069
Other creditors	3,662,480	2,418,797
Accruals and deferred income	2,726,584	3,548,324
	<u>7,163,045</u>	<u>6,090,095</u>

Included within creditors is an amount due to related parties of £3,625,455 (2021: £979,642) of interest payable on an existing loan. Payment of which had been deferred with interest accruing in recent years.

13 Creditors: amounts falling due after more than one year

	2022 £	2021 £
Notes		
Bank loans and overdrafts	30,000,000	30,000,000
Other creditors	16,630,016	16,630,016
	<u>46,630,016</u>	<u>46,630,016</u>

Following the year end the shareholder loan due to be repaid in 2024 was extended by 60 months and now falls due in November 2029.

During the year ended 31 December 2020, the company took out a new bank loan to pay back an amount due to the existing shareholder loan. The loan has an annual interest rate of 2.15% plus a variable element linked to SONIA and is due to be repaid in 2025. The £30 million loan is secured over company's assets and shares and is guaranteed by the parent entity.

During the year ended 31 December 2019, there was a loan issued for the new shareholders to repay a previous shareholder loan back. The loan has an annual interest rate of 5.5% and is due to be repaid in 2024.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	157,218	118,112

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £36,377 (2021: £19,087) were payable to the fund at the year end and are included in creditors.

15 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	10,001,100	10,001,100	10,101,110	10,101,110

Rights of shares

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company, have equal rights in regards to dividends and capital.

16 Reserves

Share capital

Called-up share capital represents the nominal value of shares which have been issued.

Share premium

Premiums received on the issue of share capital. Transaction costs associated with the issues of the shares are deducted from the share premium account.

Revaluation reserve

Where tangible fixed assets are revalued, the cumulative increase in the fair value in excess of any previous impairment losses is included in the revaluation reserve.

Profit and loss reserve

Includes all current and prior year retained profits and losses.

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

17 Cash generated from operations

	2022 £	2021 £
Loss for the year after tax	(2,872,870)	(1,317,116)
Adjustments for:		
Finance costs	2,275,897	1,620,709
Investment income	-	(234)
Amortisation of intangible assets	945	-
Depreciation of tangible fixed assets	1,264,878	1,694,624
Movements in working capital:		
(Increase)/decrease in stocks	(45,846)	44,177
(Increase)/decrease in debtors	(68,213)	75,078
Increase in creditors	1,072,950	1,893,400
Cash generated from operations	1,627,741	4,010,638

18 Analysis of changes in net debt

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	2,854,829	(1,157,990)	1,696,839
Borrowings excluding overdrafts	(30,000,000)	-	(30,000,000)
	<u>(27,145,171)</u>	<u>(1,157,990)</u>	<u>(28,303,161)</u>

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments relating to plant and machinery for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	30,968	35,164
Between one and five years	28,512	23,497
	<u>59,480</u>	<u>58,661</u>

ST. ANDREWS BAY DEVELOPMENT LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Related party transactions

Transactions with related parties

During the year ended 31 December 2019, a shareholder's loan of £45,830,902 was issued by Highlander Hospitality Group Limited. The loan had an annual interest rate of 5.5% and was due to be repaid in 2024. During 2020 financial year, the company took out a new bank loan to pay back £29,200,886 of the existing shareholder's loan. As at December 2022, the outstanding amount of the shareholder's loan is £16,630,016. During the year ended 31 December 2022, the shareholder's loan due to be repaid in 2024 was extended by 60 months and now falls due in November 2029. The interest payable of the shareholder's loan as at December 2022 is £3,599,176.

Great Century Global Limited, asset manager of St. Andrews Bay Developments Ltd, have an ongoing Asset Management Agreement. Asset management fee for the year ended 31 December 2022 is £500,000 (2021: £490,000). The accrued asset management fee as at 31 December 2022 is £312,312 (2021: £516,950).

21 Ultimate controlling parent

The directors believe that throughout the year there was no ultimate controlling party.

The parent entity of St. Andrews Bay Development Ltd is Highlander Hospitality Group Limited, however there is no ultimate controlling party as Highlander Hospitality Group Limited is a 50:50 joint venture.