

SRS Hotels Aberdeen Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number SC590738

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SRS Hotels Aberdeen Limited

Company Information

Directors	Stewart Campbell Ross Norman Morrow
Registered number	SC590738
Registered office	Aberdeen Altens Hotel Souter Head Road Altens Industrial Estate Aberdeen Scotland AB12 3LF
Independent auditor	BDO LLP 2 Atlantic Square 31 York Street Glasgow G2 8NJ
Bankers	Santander UK plc 301 St Vincent St Glasgow G2 5HN

SRS Hotels Aberdeen Limited

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SRS Hotels Aberdeen Limited

Strategic Report For the Year Ended 31 December 2022

The directors present their strategic report together with the audited financial statements of the company for the year ended 31 December 2022.

Business review

Total revenue for the company was £6.24m (2021 - £4.02m) with an operating profit of £0.76m (2021 - £0.57m).

The Aberdeen Altens Hotel increased operating profit by 35% in 2022 against the full year of 2021. Turnover increased 55% driven by a stronger average daily rate for accommodation and a full year with no disruption from pandemic related restrictions. Costs increased due to increased turnover and inflationary pressures, but good management ensured a strong operating profit for the year.

In 2022 the wider Aberdeen hotel market built on a decent 2021 as demand stabilised and average daily rates were increased to ensuring selling prices were high enough to meet ever increasing operating costs, especially for utilities and payroll.

Trading has continued to grow in 2023 as corporate demand has increased with a higher average daily rate being achieved. Due to the higher average daily rate and continued strong occupancy levels, profitability is stronger in 2023 despite higher costs due to high inflation.

Principal risks and uncertainties

While it is not possible to identify or anticipate every risk due to the changing business environment, the company has a risk management process to manage and mitigate those key risks which it believes could have an impact on its sustainability.

The company's board meets regularly and in addition to reviewing the trading performance, will discuss the main risks to the company.

The key risks facing the company are set out below:

Strategic

- Failure to execute appropriate hotel management strategies and projects and enhance returns to stakeholders

Management regularly review current strategic plans and set realistic goals required to achieve the strategic objective. Detailed annual budgets and business plans are prepared and reported against monthly.

Financial

- Variable nature of revenue per available room and operational costs versus fixed lease costs

The company has a Financial Controller and a General Manager who closely monitor the financial performance of the hotels. Budgets and forecasts are set annually with variance analysis carried out every month. The company has responded to the cost of living crisis by continuing to closely monitor costs and negotiating or using alternative suppliers where possible to minimise price increases. In the opinion of the directors, the budgets and forecasts include reasonable assumptions for expense and wage inflation.

- Finance and borrowing risks relate to the company having sufficient liquidity to pay for goods and services required to operate

The directors are confident that the banking and financing facilities currently in place are more than adequate for the company's working capital requirements.

SRS Hotels Aberdeen Limited

Strategic Report (continued) For the Year Ended 31 December 2022

Principal risks and uncertainties (continued)

Operational

- Reduced occupier demand through macro and micro economic factors and increase in competitors

Management respond quickly and appropriately to external market forces and review outcomes of decisions made to measure effectiveness.

- Key management departure

The company offers excellent working conditions, training and attractive remuneration packages to attract and retain quality management personnel.

- Customer satisfaction

The hotel General Manager reviews internal and external feedback, through customer surveys and meetings with key customers.

- Credit risk

The company has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. This proves effective in minimising the level of impaired and past due debtors. The company does not take significant credit risk as the trade debtors position as a percentage of turnover is small.

Legal and Other

- Health, safety and environmental risks

The company employs a hotel management company which has a facilities management team who conduct regular inspections of the hotel and surrounding areas to ascertain any potential health and safety or environmental risks and instruct repairs or improvements to be carried out where necessary, ensuring compliance with all legislative requirements.

- Changes or breaches of regulatory requirements

Management place significant emphasis on regulatory compliance and invest significant resources into meeting industry standards.

Financial key performance indicators

The company's key financial and other performance indicators during the period were as follows:

	2022	2021
Turnover	£6.24m	£4.02m
Operating profit	£0.76m	£0.57m

This report was approved by the board on 22 September 2023 and signed on its behalf.



Stewart Campbell
Director

SRS Hotels Aberdeen Limited

Directors' Report For the Year Ended 31 December 2022

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the company is the operation of a 216 bedroom hotel in Aberdeen, The Aberdeen Altens Hotel.

Results and dividends

The profit for the year, after taxation, amounted to £305,781 (2021 - £201,554).

The directors do not recommend the payment of a dividend (2021 - £Nil).

Directors

The directors who served during the year were:

Stewart Campbell

Ross Norman Morrow

Going concern

The company's business review, together with the principal risks and uncertainties likely to affect its performance are set out in the strategic report on pages 1 to 2. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes to the financial statements on pages 10 to 28. The directors have considered the principal risks and how they may impact going concern. The directors are of the opinion that the entity is in a strong financial position as evidenced by:

- Cash reserves of £430k as at 31 December 2022
- Net assets of £1,290k as at 31 December 2022
- Bank covenants fully met in 2022 and since year end.

The company had net current liabilities as at 31 December 2022 which was due to the August 2023 expiry date of the original five year bank loan which was drawn in 2018. In August 2023 a new five-year term loan was put in place, eliminating the net current liabilities position.

Trading has been positive in the first eight months of 2023 and bank covenants have been fully met at all test dates in 2023. The company's cashflow forecasts to December 2024 indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its bank covenants for at least a period of 12 months from the date of these financial statements.

After due consideration of the matters set out above, the directors are satisfied that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

SRS Hotels Aberdeen Limited

Directors' Report (continued) For the Year Ended 31 December 2022

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Post balance sheet events

Since the balance sheet date, the company has taken out a new bank loan for £3.4m with a five-year term. Capital repayments are £42,500 per quarter and interest is charged at 3.05% over base rate.

In the period from the balance sheet date to the end of August 2023 the company has repaid the shareholder loans in full.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 September 2023 and signed on its behalf.



Stewart Campbell
Director

SRS Hotels Aberdeen Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2022

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 United Kingdom Generally Accepted 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; and
- 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.

SRS Hotels Aberdeen Limited

Independent Auditor's Report to the Members of SRS Hotels Aberdeen Limited

Opinion on the financial statements

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 profit 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.

We have audited the financial statements of SRS Hotels Aberdeen Limited ("the company") for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

SRS Hotels Aberdeen Limited

Independent Auditor's Report to the Members of SRS Hotels Aberdeen Limited (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

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.

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, 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.

SRS Hotels Aberdeen Limited

Independent Auditor's Report to the Members of SRS Hotels Aberdeen Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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. A summary of the procedures we designed and executed to detect irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the industry in which it operates. We determined that the most significant law and regulations which are directly relevant to specific assertions within the financial statements are those related to the applicable accounting frameworks, the Companies Act 2016, and employment and tax laws and regulations in the jurisdiction in which the company operates.

Our procedures in relation to laws and regulations include the following:

- Reviewing the adequacy and appropriateness of the tax provisioning and ensuring that it was calculated in line with the relevant tax laws and regulations;
- Agreeing the financial statements disclosures to underlying supporting documentation; and
- We understand how the company is complying with the legal and regulatory framework, by making enquiries of those charged with governance, and corroborating our enquiries through review of board minutes and reviewing correspondence with regulatory bodies, such as HMRC, for indications of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatements include how a fraud might occur. Our procedures in relation to fraud include the following:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements due to fraud. Areas of identified risk were then tested substantively;
- assessing the design and implementation of the control environment to identify areas of material weakness to focus the design of our testing;
- assessing the design and implementation of controls over the IT systems relevant to financial reporting;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with 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);

SRS Hotels Aberdeen Limited

Independent Auditor's Report to the Members of SRS Hotels Aberdeen Limited (continued)

- identifying whether there are instances of potential bias in areas with significant degrees of judgement and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 December 2022; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence, and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

DocuSigned by:

Martin Gill

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Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Glasgow
United Kingdom

Date: 22 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SRS Hotels Aberdeen Limited

Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	6,238,770	4,022,652
Cost of sales		(2,691,274)	(2,047,997)
Gross profit		3,547,496	1,974,655
Administrative expenses		(2,786,302)	(1,891,965)
Other operating income	5	-	282,427
Operating profit	6	761,194	565,117
Interest payable and similar charges	9	(263,289)	(245,200)
Profit before taxation		497,905	318,917
Tax on profit	10	(192,124)	(118,363)
Profit for the financial year		305,781	201,554

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 14 to 28 form part of these financial statements.

SRS Hotels Aberdeen Limited
Registered number: SC590738

Balance Sheet
As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	11		5,798,311		6,058,206
Current assets					
Stocks	12	38,510		32,175	
Debtors: amounts falling due within one year	13	466,130		164,410	
Cash at bank and in hand	14	430,446		877,292	
		<u>834,086</u>		<u>1,063,877</u>	
Creditors: amounts falling due within one year	15	(4,159,125)		(799,765)	
Net current (liabilities)/assets			<u>(3,225,039)</u>		<u>264,122</u>
Total assets less current liabilities			<u>2,573,272</u>		<u>6,322,328</u>
Creditors: amounts falling due after more than one year	16		(1,033,739)		(4,930,317)
Deferred tax	19		(249,891)		(107,438)
Net assets			<u>1,289,642</u>		<u>1,284,573</u>
Capital and reserves					
Called up share capital	20		100		100
Profit and loss account	21		1,289,542		1,284,473
Total equity			<u>1,289,642</u>		<u>1,284,573</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 September 2023.

Stewart Campbell

Stewart Campbell
Director

The notes on pages 14 to 28 form part of these financial statements.

SRS Hotels Aberdeen Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2022	100	1,284,473	1,284,573
Comprehensive Income for the year			
Profit for the year	-	305,781	305,781
Total comprehensive income for the year	-	305,781	305,781
Distribution in respect of partial redemption of shareholder loans	-	(300,712)	(300,712)
At 31 December 2022	100	1,289,542	1,289,642

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	100	1,082,919	1,083,019
Comprehensive Income for the year			
Profit for the year	-	201,554	201,554
Total comprehensive income for the year	-	201,554	201,554
At 31 December 2021	100	1,284,473	1,284,573

The notes on pages 14 to 28 form part of these financial statements.

SRS Hotels Aberdeen Limited

Statement of Cash Flows For the Year Ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	306,781	201,554
Adjustments for:		
Depreciation of tangible assets	349,283	343,175
Government grants	-	(282,427)
Interest payable	263,289	245,200
Taxation charge	192,124	118,363
Increase in stocks	(6,335)	(10,200)
(Increase)/decrease in debtors	(310,720)	123,277
Increase in creditors	412,307	118,712
Corporation tax received	-	25,421
Government grants received	-	282,427
Net cash generated from operating activities	1,205,729	1,165,502
Cash flows from investing activities		
Purchase of tangible fixed assets	(89,388)	(83,290)
Net cash used in investing activities	(89,388)	(83,290)
Cash flows from financing activities		
Repayment of loans	(190,000)	(190,000)
Repayment of other loans	(1,250,000)	-
Interest paid	(123,187)	(92,210)
Net cash used in financing activities	(1,563,187)	(282,210)
Net (decrease)/increase in cash and cash equivalents	(446,846)	800,002
Cash and cash equivalents at beginning of year	877,292	77,290
Cash and cash equivalents at the end of year	430,446	877,292
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	430,446	877,292

The notes on pages 14 to 28 form part of these financial statements.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. General Information

SRS Hotels Aberdeen Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the company information page. The nature of the company's operations and its principal activity is outlined in the strategic report and director's report.

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 judgement in applying the company's accounting policies (see note 3).

The financial statements are presented in Sterling and all values are rounded to the nearest pound (£), except where otherwise indicated.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is derived from hotel operations of The Aberdeen Altens Hotel. Revenue includes the rental of rooms and food and beverage sales. Revenue is recognised when rooms are occupied and food and beverages at the point of sale, excluding sales tax, rebates and trade discounts. All revenue is generated in the UK.

2.3 Going concern

The company's business review, together with the principal risks and uncertainties likely to affect its performance are set out in the strategic report on pages 1 to 2. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes to the financial statements on pages 10 to 28. The directors have considered the principal risks and how they may impact going concern. The directors are of the opinion that the entity is in a strong financial position as evidenced by:

- Cash reserves of £430k as at 31 December 2022
- Net assets of £1,290k as at 31 December 2022
- Bank covenants fully met in 2022 and since year end.

The company had net current liabilities as at 31 December 2022 which was due to the August 2023 expiry date of the original five year bank loan which was drawn in 2018. In August 2023 a new five-year term loan was put in place, eliminating the net current liabilities position.

Trading has been positive in the first eight months of 2023 and bank covenants have been fully met at all test dates in 2023. The company's cashflow forecasts to December 2024 indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its bank covenants for at least a period of 12 months from the date of these financial statements.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2 Accounting policies (continued)

2.3 Going concern (continued)

After due consideration of the matters set out above, the directors are satisfied that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

2.4 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

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 the statement of comprehensive income 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.

2.6 Finance costs

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

2.7 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income 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 the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.10 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:

- Long-term leasehold property - 86 years
- Fixtures and fittings - 4 to 10 years

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

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

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2 Accounting policies (continued)

2.11 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 balance sheet 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 the statement of comprehensive income.

2.12 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.

2.13 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.

2.14 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.

2.15 Provisions for liabilities

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

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet 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 balance sheet.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.16 Financial instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the date of the balance sheet and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are considered to be key areas requiring judgement:

Fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining useful life of the asset and projected disposal values.

Assets are considered for indications of impairment. If required an impairment review will be carried out and a decision made on possible impairment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

4. Turnover

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

	2022 £	2021 £
Hotel operations	6,238,770	4,022,652

All turnover arose within the United Kingdom.

5. Other operating income

	2022 £	2021 £
Coronavirus job retention scheme income	-	207,352
Government grants receivable	-	75,075
	-	282,427

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	349,283	343,175
Defined contribution pension cost	45,985	34,607
Other operating lease rentals	133,020	117,650

7. Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	13,000	11,000

Fees payable to the company's auditor and its associates in respect of:

Taxation compliance services	3,250	1,925
Other services relating to taxation	-	5,650
	3,250	7,575

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

8. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	1,627,898	1,362,181
Social security costs	128,405	97,615
Cost of defined contribution scheme	46,986	34,607
	<u>1,802,289</u>	<u>1,494,403</u>

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

	2022 No.	2021 No.
Administration	4	4
Operational	86	66
	<u>90</u>	<u>70</u>

There was no directors' remuneration in either financial year. Other transactions with directors are shown in note 24.

9. Interest payable and similar charges

	2022 £	2021 £
Bank interest payable	123,187	92,210
Other interest payable	140,102	152,990
	<u>263,289</u>	<u>245,200</u>

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	49,671	-
Adjustments in respect of previous periods	-	109
Total current tax	49,671	109
Deferred tax		
Origination and reversal of timing differences	142,546	121,642
Changes to tax rates	-	(3,409)
Adjustments in respect of previous periods	(93)	21
Total deferred tax	142,453	118,254
Taxation on profit on ordinary activities	192,124	118,363
Factors affecting tax charge for the year		

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

	2022 £	2021 £
Profit on ordinary activities before tax	497,905	319,917
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	94,602	60,784
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27,358	29,271
Fixed asset timing differences	36,046	2,422
Additional deduction for land remediation expenditure	-	(29)
Adjustments to tax charge in respect of prior periods	-	109
Remeasurement of deferred tax for changes in tax rates	34,211	25,785
Adjustments to tax charge in respect of previous periods - deferred tax	(93)	21
Total tax charge for the year	192,124	118,363

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

10. Taxation (continued)

Factors that may affect future tax charges

The Finance Act 2021 was substantively enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse, of 25%.

For further information on deferred tax balances see note 19.

11. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Total £
Cost			
At 1 January 2022	3,805,662	3,258,761	7,064,423
Additions	-	89,388	89,388
At 31 December 2022	<u>3,805,662</u>	<u>3,348,149</u>	<u>7,153,811</u>
Depreciation			
At 1 January 2022	32,099	974,118	1,006,217
Charge for the year	9,368	339,915	349,283
At 31 December 2022	<u>41,467</u>	<u>1,314,033</u>	<u>1,355,500</u>
Net book value			
At 31 December 2022	<u>3,764,195</u>	<u>2,034,116</u>	<u>5,798,311</u>
At 31 December 2021	<u>3,773,563</u>	<u>2,284,643</u>	<u>6,058,206</u>

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Stocks

	2022 £	2021 £
Finished goods and goods for resale	<u>38,510</u>	<u>32,175</u>

13. Debtors: amounts falling due within one year

	2022 £	2021 £
Trade debtors	274,781	51,441
Other debtors	3,688	11,276
Prepayments and accrued income	186,761	91,693
	<u>465,130</u>	<u>154,410</u>

14. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>430,448</u>	<u>877,292</u>

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans	3,087,600	190,000
Trade creditors	406,494	164,113
Corporation tax	49,671	-
Other taxation and social security	251,198	132,425
Other creditors	-	77
Accruals and deferred income	365,262	313,140
	<u>4,159,125</u>	<u>799,755</u>

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

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

	2022 £	2021 £
Bank loans	-	3,087,500
Other loans	1,033,739	1,842,817
	<u>1,033,739</u>	<u>4,930,317</u>

17. Loans

Bank loans consist of a five year term loan repayable in 2023. Quarterly capital repayments are made. The interest rate was the SONIA plus 2.5%. Bank borrowings were secured by a floating charge over the company's leasehold land and buildings.

Other loans represent loans from shareholders repayable in 2028. No interest is charged on these loans. In line with requirements of FRS 102, shareholder loans are discounted to create an annual effective interest charge.

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	3,087,500	190,000
Amounts falling due 1-2 years		
Bank loans	-	3,087,500
Amounts falling due after more than 5 years		
Other loans	1,033,739	1,842,817
	<u>4,121,239</u>	<u>5,120,317</u>

18. Financial instruments

	2022 £	2021 £
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	<u>(1,033,739)</u>	<u>(1,842,817)</u>

Financial liabilities measured at fair value through profit or loss are other loans.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements
For the Year Ended 31 December 2022

19. Deferred taxation

	2022
At beginning of year	(107,438)
Charged to profit or loss	(142,453)
At end of year	(249,891)

The provision for deferred taxation is made up as follows:

	2022	2021
Accelerated capital allowances	(262,161)	(214,324)
Tax losses carried forward	106,328	658
Short term timing differences	2,270	(107,438)

20. Share capital

1,000 (2021 - 1,000) ordinary shares of £0.10 each

	2022	2021
Allotted, called up and fully paid	£ 100	£ 100

21. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

22. Analysis of net debt

	2021 £	Cash flows £	Other non-cash movements £	At 31 December 2022 £
Cash at bank	877,292	(446,846)	-	430,446
Bank loans due within one year	(190,000)	190,000	(3,087,500)	(3,087,500)
Debt due after one year	(4,930,317)	1,250,000	2,648,578	(1,033,739)
	<u>(4,243,025)</u>	<u>993,154</u>	<u>(440,922)</u>	<u>(3,690,793)</u>

23. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	136,800	136,800
Later than 1 year and not later than 5 years	547,200	547,200
Later than 5 years	10,533,600	10,670,400
	<u>11,217,600</u>	<u>11,354,400</u>

24. Related party transactions

At the year end the company owed loan notes of £336,000 (2021 - £598,500) to Stewart Campbell, a director of the company.

At the year end the company owed loan notes of £128,000 (2021 - £228,000) to Ross Morrow, a director of the company.

SRS Hotels Aberdeen Limited was charged fees totalling £30,000 (2021 - £30,000) in regards to management services provided by certain company which share a common director. The balance outstanding at year end was £Nil (2021 - £Nil).

25. Post balance sheet events

Since the balance sheet date, the company has taken out a new bank loan for £3.4m with a five-year term. Capital repayments are £42,500 per quarter and interest is charged at 3.05% over base rate.

In the period from the balance sheet date to the end of August 2023 the company has repaid the shareholder loans in full.

SRS Hotels Aberdeen Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

26. Controlling party

There is no controlling party. The company is controlled by its shareholders.