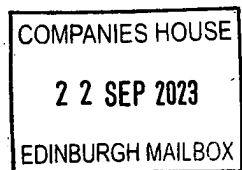


Castlegate Investments (Edinburgh) Limited

Registered number: SC069463

Annual Report

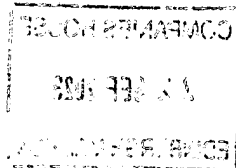
For the year ended 31 December 2022



CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

COMPANY INFORMATION

Director	J Thomson
Company secretary	W Thomson
Registered number	SC069463
Registered office	352 Castlehill The Royal Mile Edinburgh EH1 2NF
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Capital Square 58 Morrison Street Edinburgh EH3 8BP
Bankers	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Solicitors	Lindsays Caledonian Exchange 19A Canning Street Edinburgh EH3 8HE



CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Company's principal activity continued to be that of restaurateurs and hoteliers under the names of 'The Witchery by the Castle'.

Principal activities

The Director presents his Strategic Report for the year ended 31 December 2022.

Business review

In the year to 31 December 2022, the trade of the Company benefitted from the end of COVID-19 restrictions, and the Director was very happy with the trading and financial performance of the Company. The trading performance was achieved despite the backdrop of a challenging economic climate and the continuation of some international travel restrictions and has been achieved due to huge loyalty from our customers and the hard work of our team.

In the year to 31 December 2022 the business traded profitability. The director is happy with the results achieved despite the challenging economic climate.

Due to the actions noted above, the director is confident that the Company can continue as a going concern. The Company's business thrives on repeat custom and a high standing reputation, and the list of accolades the Company's establishments continues to receive provides further assurance of their strong position in the market.

Financial risk management objectives and policies

The Company finances its operations through a mixture of retained profits and, where necessary to fund expansion or capital expenditure programmes, through bank borrowings. The management's objectives are to:

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;
- minimise the Company's exposure to fluctuating interest rates when seeking new borrowings; and
- match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the company's trading activities.

The Company does not use hedge accounting.

As all the Company's surplus funds are held in Sterling bank accounts and its borrowings are all obtained from a standard bank loan, there is no risk of price exposure.

Financial key performance indicators


EBITDA is regarded as the major performance indicator. This has increased from £1,684k in the prior year to £2,080k.

Gross profit margin is also reviewed by the Director with this year's gross profit margin increasing from 43% to 45%.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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


James Thomson (Sep 19, 2023 20:48 GMT+1)

J Thomson
Director

Date: Sep 19, 2023

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Director presents his report and the financial statements for the year ended 31 December 2022.

Director's responsibilities statement

The Director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Director must not approve the financial statements unless he is 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 Director is required to:

- select suitable accounting policies for the Company's financial statements 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 Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £1,467,789 (2021 - £1,149,614).

Particulars of dividends paid are detailed in note 13 to the financial statements.

Director

The Director who served during the year was:

J Thomson

Matters covered in the Strategic Report

As permitted by paragraph 1A of Schedule 7 to the large and medium sized companies and groups (accounts and records) regulations 2008 certain matters which are required to be disclosed in the Director's Report have been omitted as they are included in the Strategic Report. Those matters relate to the Company's principal activity, business review, financial risk management objectives and policies, and financial key performance indicators.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditor

The Director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he 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.

Economic impact of global events

UK businesses are currently facing many uncertainties such as the consequences of Brexit, COVID-19, environmental sustainability and geopolitical events such as the Russian invasion of Ukraine. These uncertainties have contributed to an environment where there exists a range of issues and risks, including inflation, rising interest rates, labour shortages, disrupted supply chains and new ways of working.


The Directors have carried out an assessment of the potential impact of these uncertainties on the business, including the impact of mitigation measures, and have concluded that these are non-adjusting events with the greatest impact on the business expected to be from the economic ripple effect on the global economy. The Directors have taken account of these potential impacts in their going concern assessment.

The Company continues to work with its partners to minimise any impacts of these events and maximise the realisation of any opportunities they may provide to the business.

Auditor

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

This report was approved by the Board and signed on its behalf.


J Thomson (Sep 19, 2023 20:48 GMT+1)

J Thomson
Director

Date: Sep 19, 2023

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLEGATE INVESTMENTS
(EDINBURGH) LIMITED**

Opinion

We have audited the financial statements of Castlegate Investments (Edinburgh) Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position 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 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 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.

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 Director's 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 Director with respect to going concern are described in the relevant sections of this report.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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 Director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 Director's 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

Responsibilities of Director

As explained more fully in the Director's Responsibilities Statement set out on page 3, the Director is 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 Director determines 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 Director is 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 Director intends either to liquidate the Company or to cease operations, or has 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 our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLEGATE INVESTMENTS
(EDINBURGH) LIMITED**

In addition, we evaluated the Director's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Director and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Craig Maxwell
Craig Maxwell (Sep 21, 2023 12:59 GMT+1)

Craig Maxwell (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
Capital Square
58 Morrison Street
Edinburgh
EH3 8BP

Date: Sep 21, 2023

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	6,861,622	4,256,889
Cost of sales		(3,743,609)	(2,441,739)
Gross profit		<u>3,118,013</u>	<u>1,815,150</u>
Administrative expenses		(1,175,704)	(730,806)
Other operating income	5	22,175	482,145
Operating profit	6	1,964,484	1,566,489
Interest receivable and similar income	10	1,583	-
Interest payable and similar expenses	11	(130,326)	(112,385)
Profit before tax		<u>1,835,741</u>	<u>1,454,104</u>
Tax on profit	12	(367,952)	(304,490)
Profit after tax		<u><u>1,467,789</u></u>	<u><u>1,149,614</u></u>
Retained earnings at the beginning of the year		7,564,137	6,654,523
Profit for the year		1,467,789	1,149,614
Dividends declared and paid		(340,000)	(240,000)
Retained earnings at the end of the year		<u><u>8,691,926</u></u>	<u><u>7,564,137</u></u>

All amounts relate to continued operations.

There was no other comprehensive income for the year to 31 December 2022 (2021 - £Nil).


The notes on pages 11 to 26 form part of these financial statements.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED
REGISTERED NUMBER: SC069463

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible fixed assets	14	1,296,224	1,255,370
Investments	15	5,452,653	5,452,653
		<u>6,748,877</u>	<u>6,708,023</u>
Current assets			
Stocks	16	1,928,578	1,823,308
Debtors	17	3,709,291	2,748,759
Cash and cash equivalents	18	1,625,912	2,654,728
		<u>7,263,781</u>	<u>7,226,795</u>
Creditors: amounts falling due within one year	19	(2,695,420)	(1,991,413)
Net current assets		<u>4,568,361</u>	<u>5,235,382</u>
Total assets less current liabilities		<u>11,317,238</u>	<u>11,943,405</u>
Creditors: amounts falling due after more than one year	20	(2,370,657)	(4,134,252)
Provisions for liabilities			
Deferred tax	22	(68,730)	(59,091)
Net assets		<u><u>8,877,851</u></u>	<u><u>7,750,062</u></u>
Capital and reserves			
Called up share capital	23	77,100	77,100
Revaluation reserve	24	108,825	108,825
Profit and loss account	24	8,691,926	7,564,137
		<u><u>8,877,851</u></u>	<u><u>7,750,062</u></u>

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


 J Thomson (Sep 19, 2023 20:48 GMT+1)

J Thomson
 Director

Date: Sep 19, 2023

The notes on pages 11 to 26 form part of these financial statements.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

1. General information

Castlegate Investments (Edinburgh) Limited is a private company limited by shares, registered in Scotland and incorporated in the UK. The Company's registered office address is 352 Castlehill, The Royal Mile, Edinburgh, EH1 2NF. The Company's registered number is SC069463.

The Company's principal activity continued to be that of restaurateurs and hoteliers under the names of 'The Witchery by the Castle'.

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 Company, which is a parent company of Prestonfield House Hotel Limited, is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.27 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Pacific Shelf 636 Limited as at 31 December 2022 and these financial statements may be obtained from 352 Castlehill, The Royal Mile, Edinburgh EH1 2NF.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The Company is currently trading in a challenging economic climate however is in a strong position and benefitting from the recommencement of international tourism. The Company has a significant positive cash balance at September 2023 which will ensure they can continue to meet its liabilities as they fall due.

Based on the above, in addition to the reasons disclosed in the Strategic Report, the Director believes that it is appropriate to prepare the financial statements on a going concern basis.

2.4 Turnover

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

Sale of goods

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due; and
- the costs incurred and the costs to complete the service can be measured reliably.

2.5 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.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Heritable property	- 2% straight line
Fixtures & fittings	- 15% and 33% straight line
Office equipment	- 15% straight line

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 Income and Retained Earnings.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.7 Stocks

Stocks, which comprise food and drink used in the hotel and restaurateur business and wine held separately to sell to third parties, 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.

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

2.8 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.

2.9 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.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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 Income and Retained Earnings 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 Income and Retained Earnings in the same period as the related expenditure and when the criteria attached to the grant have been met.

2.13 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings 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.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

2. Accounting policies (continued)

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight-line basis over the lease term.

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

2.16 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 Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, 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 reporting 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 reporting 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 reporting date.

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

In the application of the Company's accounting policies, which are described in note 2, the Director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The director considers that the carrying value of current and non-current assets to be areas subject to management judgement and uncertainty, and the need for potential provisions for impairment. The director reviews the underlying value of the fixed assets and investments on a regular basis which provides comfort over the values within the financial statements, and they are reviewed on an annual basis for any indications of impairment, along with other assets including debtors and stock.

In addition, managements' use of external valuers support their consideration and conclusion on the carrying value of fixed assets.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

4. Turnover

All turnover arose within the United Kingdom and is attributable to the principal activity of the Company.

5. Other operating income

	2022	2021
	£	£
Government grants received	8,900	476,232
Sales of wine, held as stock	13,275	5,913
	<u>22,175</u>	<u>482,145</u>

6. Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Depreciation of tangible fixed assets	115,844	118,953
Other operating lease rentals	75,006	75,006
	<u>190,850</u>	<u>193,959</u>

7. Auditor's remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12,000	9,750
	<u>12,000</u>	<u>9,750</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the Parent Company.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

8. Employees

Staff costs, including Director's remuneration, were as follows:

	2022	2021
	£	£
Wages and salaries	2,215,183	1,546,978
Social security costs	213,536	127,332
Cost of defined contribution scheme	39,875	28,750
	<u>2,468,594</u>	<u>1,703,060</u>

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

	2022	2021
	No.	No.
Weekly	47	42
Monthly	32	30
	<u>79</u>	<u>72</u>

9. Director's remuneration

	2022	2021
	£	£
Director's emoluments	<u>12,317</u>	<u>1,041</u>

There were no (2021 - £Nil) pension contributions made to the Director's personal pension plan during the year.

10. Interest receivable and similar income

	2022	2021
	£	£
Other interest receivable	<u>1,583</u>	<u>-</u>

11. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	<u>130,326</u>	<u>112,385</u>

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

12. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	360,614	296,853
Adjustments in respect of previous periods	(2,301)	(313)
Total current tax	<u>358,313</u>	<u>296,540</u>
Deferred tax		
Origination and reversal of timing differences	9,639	(8,199)
Changes to tax rates	-	16,149
Total deferred tax	<u>9,639</u>	<u>7,950</u>
Taxation on profit on ordinary activities	<u>367,952</u>	<u>304,490</u>

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	<u>1,835,741</u>	<u>1,454,104</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	348,791	276,280
Effects of:		
Expenses not deductible for tax purposes	12,238	3,989
Fixed asset differences	6,911	10,352
Adjustments to tax charge in respect of previous periods	(2,301)	(313)
Remeasurement of deferred tax for changes in tax rates	2,313	14,182
Total tax charge for the year	<u>367,952</u>	<u>304,490</u>

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

12. Taxation (continued)

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom would increase from 19% to 25%. Companies with profits of £50,000 or less would continue to be taxed at 19%, which was a new small profits rate. Where taxable profits were between £50,000 and £250,000, the higher 25% rate would apply but with a marginal relief applying as profits increased. Deferred tax is provided for at 25% as that was the substantially enacted rate at the reporting date.

13. Dividends

	2022 £	2021 £
On equity capital	340,000	240,000

14. Tangible fixed assets

	Heritable property £	Fixtures & fittings £	Office equipment £	Total £
Cost				
At 1 January 2022	2,009,737	1,905,468	965,387	4,880,592
Additions	-	148,472	8,226	156,698
At 31 December 2022	2,009,737	2,053,940	973,613	5,037,290
Depreciation				
At 1 January 2022	951,972	1,775,874	897,376	3,625,222
Charge for the year	40,195	50,292	25,357	115,844
At 31 December 2022	992,167	1,826,166	922,733	3,741,066
Net book value				
At 31 December 2022	1,017,570	227,774	50,880	1,296,224
At 31 December 2021	1,057,765	129,594	68,011	1,255,370

Certain heritable properties were previously valued giving rise to a revaluation reserve which at the date of transition to FRS 102 amounted to £108,825 (note 24). The valuations is treated as cost under FRS 102.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

15. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2022	5,452,653
At 31 December 2022	<u>5,452,653</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Prestonfield House Hotel Limited	352 Castlehill, Edinburgh, Scotland, EH1 2NF	Ordinary	100%

16. Stocks

	2022 £	2021 £
Consumables	<u>1,928,578</u>	<u>1,823,308</u>

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

17. Debtors

	2022	2021
	£	£
Trade debtors	19,085	10,104
Amounts owed by group undertakings (note 26)	2,706,609	2,261,138
Other debtors	138,246	186,850
Prepayments and accrued income	845,351	290,667
	<u>3,709,291</u>	<u>2,748,759</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included within prepayments and accrued income at the reporting date is £762,730 (2021 - £262,250) relating to a deposit on a purchase of property which was completed post year end in March 2023. At the reporting date, the Company had committed to paying a further £532,270 in respect of this.

18. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	<u>1,625,912</u>	<u>2,654,728</u>

19. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank loans (note 21)	1,073,579	567,126
Other loans (note 21)	51,000	51,000
Trade creditors	261,730	212,962
Corporation tax	392,934	286,924
Other taxation and social security	383,041	244,741
Other creditors	37,922	30
Accruals and deferred income	495,214	628,630
	<u>2,695,420</u>	<u>1,991,413</u>

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

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

	2022	2021
	£	£
Bank loans (note 21)	2,261,751	3,974,346
Other loans (note 21)	108,906	159,906
	<u>2,370,657</u>	<u>4,134,252</u>

21. Loans

Analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year		
Bank loans	1,073,579	567,126
Other loans	51,000	51,000
	<u>1,124,579</u>	<u>618,126</u>
Amounts falling due 1-2 years		
Bank loans	192,493	1,264,300
Other loans	51,000	51,000
	<u>243,493</u>	<u>1,315,300</u>
Amounts falling due 2-5 years		
Bank loans	2,069,258	2,710,046
Other loans	57,906	108,906
	<u>2,127,164</u>	<u>2,818,952</u>
	<u>3,495,236</u>	<u>4,752,378</u>

Secured loans

At the year end, the Company had two bank loans with The Royal Bank of Scotland PLC.

One bank loan is secured by a standard security over the Company's heritable properties, a bond and floating charge over the company's assets, a £3,000,000 guarantee from Pacific Shelf 636 Limited and supported by a bond and floating charge over that company's assets. This loan is repayable in quarterly instalments and is due to be repaid by October 2023 following a 12 month capital repayment holiday. Interest is payable on the loan at a rate of 2.5% over Base Rate.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

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

21. Loans (continued)

A second bank loan of £2,750,000 is secured by a standard security over the Company's heritable properties, a bond and floating charge over the assets of the Company, an unlimited guarantee from the Company, Prestonfield House Hotel Limited and Pacific Shelf 636 Limited, and is supported by a standard security over Prestonfield House Hotel Limited and a bond and floating charge over the assets of that company and Pacific Shelf 636 Limited. The loan is repayable in monthly instalments and the final payment date is due to be March 2026 which includes a 12 month capital repayment holiday. Interest is payable on the loan at 1.75% over Base Rate.

The Company had a CBILs loan for £1,000,000 which was fully repaid during the year. The loan was secured by a standard security over the Company's heritable properties, a bond and floating charge over the company's assets, an unlimited guarantee from the Company, Prestonfield House Hotel Limited and Pacific Shelf 636 Limited and was supported by a standard security over Prestonfield House Hotel Limited, a bond and floating charge over that company's assets as well as the assets of Pacific Shelf 636 Limited. The loan was repayable in monthly instalment starting 13 months after the date of drawdown (June 2020) with the final repayment is 72 months after drawdown, being June 2026 – the loan was however repaid early in June 2022. The loan was interest free for the first 12 months, and thereafter bore interest at a rate of 2.62% over Base Rate.

The Company also obtained a loan from Castlegate (2009) Pension Fund for £255,000. The loan is secured by a standard security over the property 539B Castlehill. The loan is repayable in annual instalments with the final repayment date being February 2025. Interest is payable on the loan annually at a rate of 3.25% of the loan amount.

22. Deferred taxation

	2022 £
At beginning of year	(59,091)
Charge to Statement of Income and Retained Earnings	(9,639)
At end of year	(68,730)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(68,730)	(59,091)

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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23. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
77,100 (2021 - 77,100) Ordinary shares shares of £1 each	77,100	77,100

The share capital has full voting and capital distribution rights.

24. Reserves

Revaluation reserve

This represents the surplus arising on the revaluation of heritable property (note 14).

Profit & loss account

This reserve includes all current and prior period retained profits and losses, less dividends paid.

25. Pension commitments

The Company contributes to employees' personal pension plans. The pension cost charge represents contributions payable by the Company to the plans and amounts to £39,875 (2021 - £28,750).

There are no contributions payable to the plans at the reporting date (2021 - £Nil).

26. Related party transactions

As a wholly owned subsidiary of Pacific Shelf 636 Limited, advantage has been taken of the exemption granted by FRS 102 33.1A not to report details of the transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

At the year end £120,741 included in other debtors was owed by J Thomson, the Director, to the Company (2021 - £127,233). The movement in the balance represents cash forwarded to and from the Company in the year. Balance is unsecured, interest free with no fixed terms of repayment.

During the period the Company made payments in respect of rent of £50,000 (2021 - £50,000) to a pension scheme, the beneficiary being J Thomson. The Company also paid rent of £25,006 (2021 - £25,006) to J Thomson for the use of property which he owns.

CASTLEGATE INVESTMENTS (EDINBURGH) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Controlling party and parent undertaking

The Company's immediate and ultimate parent undertaking is Pacific Shelf 636 Limited, which is registered in Scotland, and is the smallest and largest group into whose financial statements the company's financial information is consolidated. Copies of the group financial statements are available to the public from Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

In the Director's opinion, the Company's ultimate controlling party is J Thomson by virtue of his shareholding in the parent undertaking.