Holland House Hotels (Cardiff) Limited

Directors' report and financial statements
Registered number 4607925
28 September 2006

Contents

Directors and advisers

Directors	RG Fraser DA Guile PJ McCarthy MD McCarthy
Secretary	RG Fraser
Registered office	1 St Paul's Church Yard London EC4M 8SH
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Solicitors	Stephenson Harwood 1 St Paul's Church Yard London EC4M 8SH Capital Law Discovery House Scott Harbour Cardiff Bay CF10 4HA
Bankers	Allied Irish Bank 2 Callaghan Square Cardiff CF10 5BT

Directors' report

The directors present their report and the audited financial statements for the year ended 28 September 2006

Principal activities

The company's principal activity during the year was that of a joint venture vehicle between Macdonald Hotels (UK) Limited and Rightacres Property Company Limited for the development and operation of hotels

Review of business and future developments

The principal risks and uncertainties affecting the business include the following

- Debtors the company maintains strong relationships with each of its key customers and has established credit control parameters Appropriate credit terms are agreed with key customers and these are closely monitored

- Competitive risk the company operates in competitive markets Product development by competitors could adversely affect the company The company's focus on quality and standards reduces the possible effect of action by any single competitor

  The company also works continually to ensure that its cost base remains under control

- Industry conditions the company operates in an industry which is impacted by travel industry conditions We operate in a variety of markets including corporate, leisure, conference and functions which provides us with adequate sheltering from the impact of any detrimental events to affect the travel industry

Key areas of strategic development and performance of the business include

- Sales and marketing significant investment is being made to develop our brand and ensure new business is being won continually, new markets have been developed in line with the company's strategy, key customer relationships are monitored on a regular basis

- Competitive advantage the company focuses on areas where it has a competitive advantage including quality and value and the development of its people which places it well in terms of superior long term income/cash flow growth potential

Key financial performance indicators include the monitoring of the management of profitability and working capital

	2006	**2005**	**Measure**
Financial			
Gross profit %	18 0	15 5	Gross profit/turnover*100
Stock turnover	94	103	Turnover/stock
Debtors days	25	27	Trade debtors/turnover*365
Creditors days	18	14	Trade creditors/cost of sales*365

The company note an improvement in gross profit percentage of 2 5% and are satisfied that working capital is being properly managed in terms of stock, debtors and creditors utilisation

Director's report *(continued)*

Review of business and future developments *(continued)*

Key non-financial performance indicators include

- The monitoring of the company's environmental impact and energy consumption The directors are satisfied with the progress the company has made during the year and will continue to focus on limiting the company's environmental impact and energy consumption

- The monitoring of quality A key indicator used to monitor food quality is the number of AA Rosette's held by the company During the year the company was awarded a second AA Rosette The company also operates a number of quality monitors such as guest questionnaires and mystery shopper programme

Results and dividends

The company's profit for the year is £230,000 *(2005 loss £333,000)* The directors do not recommend payment of a final dividend *(2005 £Nil)*

Market value of land and buildings

The directors believe that the difference between market value and net book value is more than enough to cover the net liability shown on the balance sheet

Directors and directors' interests

The directors who held office during the year are given on page 1

No director had any disclosable interest in the shares of the company The directors interests in the shares of the two shareholder companies are disclosed in the accounts of those companies

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

RG Fraser
Secretary

1 St Paul's Church Yard
London
EC4M 8SH

12 December 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that 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 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG LLP
Saltire Court
20 Castle Terrace
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EH1 2EG

Independent auditors' report to the members of Holland House Hotels (Cardiff) Limited

We have audited the financial statements of Holland House Hotels (Cardiff) Limited for the year ended 28 September 2006 which comprise the Profit and Loss Account, the Balance Sheet, the cash flow statement and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 September 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP 12 December 2006
Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 28 September 2006

	Note	**2006**	2005
		£000	£000
Turnover	*1*	**8,456**	7,006
Cost of sales		**(6,933)**	(5,922)
Gross profit		**1,523**	1,084
Administrative expenses		**(216)**	(234)
Operating profit		**1,307**	850
Net interest payable and similar charges	*6*	**(1,424)**	(1,183)
Loss on ordinary activities before taxation	*3*	**(117)**	(333)
Tax on loss on ordinary activities	*7*	**347**	-
Profit/(loss) for the financial year	*16*	**230**	(333)

All items dealt with in arriving at operating profit above relate to continuing operations

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent

Balance sheet
at 28 September 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Fixed assets					
Tangible assets	*8*		**22,990**		23,540
Current assets					
Stocks	*9*	**90**		68	
Debtors	*10*	**1,330**		604	
Cash at bank and in hand		**7**		5	
		1,427		677	
Creditors amounts falling due within one year	*11*	**(2,892)**		(2,064)	
Net current liabilities			**(1,465)**		(1,387)
Total assets less current liabilities			**21,525**		22,153
Creditors amounts falling due after more than one year	*12*		**(22,743)**		(23,686)
Accruals and deferred income	*14*		**(443)**		(460)
Deferred tax	*15*		**(102)**		-
Net liabilities			**(1,763)**		(1,993)
Capital and reserves					
Called up share capital	*16*		**319**		319
Profit and loss account	*17*		**(2,082)**		(2,312)
Shareholders' deficit	*18*		**(1,763)**		(1,993)

These financial statements were approved by the board of directors on 12 December 2006 and were signed on its behalf by

RG Fraser

RG Fraser
Director

Cash flow statement

for the year ended 28 September 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Cash flow from operating activities	19		1,566		1,494
Returns on investments and servicing of finance					
Interest paid			(1,424)		(913)
Taxation			-		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets			(71)		(6,050)
Cash inflow/(outflow) before management of liquid resources and financing			71		(5,469)
Financing					
Bank loans received		-		6,000	
Repayment of bank loans		(258)		-	
Other loans received		246		-	
			(12)		6,000
Increase in cash in the period			59		531

Reconciliation of net cash flow to movement in net debt (note 19)

for the year ended 28 September 2006

	2006 £000	2006 £000	2005 £000	2005 £000
Net cash flow in the period	59		531	
Cash outflow/(inflow) from decrease/(increase) in debt	12		(6,000)	
Changes in net debt resulting from cash flows		71		(5,469)
Movement in net debt in the year		71		(5,469)
Net debt at 29 September 2005		(24,490)		(19,021)
Net debt at 28 September 2006		(24,419)		(24,490)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

None of the new standards have had a material effect on the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Going concern

The company made a profit for the financial year of £230,000 *(2005 loss £333,000)* and as at the balance sheet date had net liabilities of £1,763,000 *(2005 £1,993,000)* and its current liabilities exceed its current assets by £1,465,000 *(2005 £1,387,000)*

The company's prime sources of finance are overdraft and loan facilities provided by the company's bankers and long term debenture loans provided by the joint venture partners, Rightacres Property Company Limited and Macdonald Hotels (UK) Limited

All bank facilities are subject to annual review, with the next scheduled review being due on 30 September 2007 and are subject to, amongst other things, compliance with certain covenants in respect of bank interest cover, bank debt service cover, total debt service cover and fixed asset cover Assessment of compliance with these covenants is based on the quarterly management accounts and annual audited accounts of the company

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future

The directors have prepared financial forecasts for the company for the twelve month period subsequent to the date of approval of these accounts and are satisfied that these support the assertion of the accounts being prepared under the going concern principle, subject to a satisfactory review of the bank facilities on 28 September 2007

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities

Notes *(continued)*

Fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition Depreciation is provided to write down the assets to their residual value by equal instalments over their estimated useful lives as follows

Land	-	Not depreciated
Freehold hotel properties	-	50 years
Fixtures, fittings and equipment	-	4 to 10 years
Motor vehicles	-	4 years

Any impairment in the value of hotel property is charged to the profit and loss account or statement of total recognised gains and losses as appropriate, in the financial period in which it arises

Government grants

Government grants are credited to deferred income when received They are released to the profit and loss account over the useful lives of the assets to which they relate

Capitalised interest

Interest charges incurred in the development of the hotel are capitalised up to the point of practical completion All other interest is charged to the profit and loss account

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value In general, cost is determined on a first in, first out basis Where necessary, provision is made for obsolete and slow moving stocks

Turnover

Turnover represents the invoiced value of goods and services supplied, excluding value added tax and trade discounts Turnover is recognised when the goods or services are provided to the customer, which may differ from the actual invoice date

Foreign currencies

Transactions in foreign currency are recorded using the rate of exchange ruling at the date of transaction

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

2 Segmental reporting

The company's turnover and operating profit relate entirely to its principal activities and arise in the United Kingdom

3 Profit on ordinary activities before taxation

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration		
Audit	**4**	4
Other services	**4**	4
Depreciation of tangible fixed assets	**621**	640
Amortisation of government grants	**(17)**	(23)

4 Remuneration of directors

The directors received no remuneration from the company in the current or preceding year

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, was 225 *(2005 174)*

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	**2,516**	2,096
Social security costs	**178**	146
Other pension costs	**1**	-
	2,695	2,242

6 Net interest payable and similar charges

	2006 £000	2005 £000
Interest receivable - other	-	(8)
Interest payable		
- bank loans and overdrafts	**1,162**	930
- other loans	**262**	261
	1,424	1,183

Notes *(continued)*

7 Taxation

Analysis of charge in period

	2006		2005	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period	**-**		-	
Adjustments in respect of prior periods	**(449)**		-	
		(449)		-
Deferred tax				
Origination/reversal of timing differences		**102**		-
Tax on profit on ordinary activities		**(347)**		-

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2005 higher) than the standard rate of corporation tax in the UK (30%, 2005 30%) The differences are explained below

	2006	2005
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(117)**	(333)
Loss on ordinary activities multiplied by the standard rate in the UK of 30% *(2005 30%)*	**(35)**	(100)
Effects of		
Expenses not deductible for tax purposes		-
Accelerated capital allowances and other timing differences	**35**	(392)
Losses carried forward		492
Adjustments to tax charge in respect of previous periods	**(449)**	-
Total current tax charge (see above)	**(449)**	-

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings £000	Vehicles, fittings and fixtures £000	Assets under construction £000	Total £000
Cost				
At beginning of year	20,907	3,630	28	24,565
Additions	-	44	27	71
Transfers	-	43	(43)	-
At end of year	20,907	3,717	12	24,636
Depreciation				
At beginning of year	657	368	-	1,025
Charge for year	236	385	-	621
At end of year	893	753	-	1,646
Net book value				
At 28 September 2006	**20,014**	**2,964**	**12**	**22,990**
At 29 September 2005	20,250	3,262	28	23,540

Interest capitalised on freehold property included in additions during the year amounted to £nil *(2005 £nil)*

Freehold land and buildings includes land of £2 9 million *(2005 £2 9 million included in assets under construction)* which is not depreciated

The company has granted a 999 year lease on part of the hotel (see note 24 for further details) It is impractical to separate the cost and accumulated depreciation associated with this part of the hotel from the overall cost of the hotel and therefore no separate disclosure is made of these elements

9 Stocks

	2006 £000	2005 £000
Goods for resale	**90**	68

Notes *(continued)*

10 Debtors

	2006	2005
	£000	£000
Trade debtors	**581**	515
Other debtors	**230**	69
Corporation tax	**469**	20
Prepayments and accrued income	**50**	-
	1,330	604

11 Creditors. amounts falling due within one year

	2006	2005
	£000	£000
Bank overdraft (see note 13)	**665**	722
Other loans	**1,018**	87
Trade creditors	**346**	231
Taxation and social security	**249**	234
Other creditors	**10**	148
Accruals and deferred income	**604**	642
	2,892	2,064

12 Creditors amounts falling due after more than one year

	2006	2005
	£000	£000
Debenture loans (see note 13)	**3,246**	3,000
Bank loans (see note 13)	**19,497**	20,686
	22,743	23,686

Notes *(continued)*

13 Loans and other borrowings

	2006 £000	2005 £000
Debenture loans	**3,246**	3,000
Bank loans and overdrafts	**21,180**	21,495
	24,426	24,495

Analysis of debt

	2006 £000	2005 £000
Debt can be analysed as falling due		
In one year or less, or on demand	**1,683**	809
Between one and two years	**1,077**	1,480
Between two and five years	**3,627**	4,440
In five years or more	**18,039**	17,766
	24,426	24,495
Amount repayable otherwise than by instalments after more than five years	**3,246**	3,000

The company has granted a mortgage debenture over the assets of the company, granted a first legal mortgage over the freehold property owned by the company and assigned the management contract for the operation of the hotel by Macdonald Hotels Limited as security in respect of monies owed to the bank

Capital repayments in respect of the bank loan are required quarterly over a period of 14 years and the debt will amortise on an annuity basis This basis has been used as the basis for the analysis given in the above table

Interest is payable on all bank facilities at the rate of 1% over the base rate of Allied Irish Bank (GB)

Debenture loans represent loans advanced by the joint venture partners as follows

	2006 £000	2005 £000
Rightacres Property Company Limited	**1,655**	1,530
Macdonald Hotels (UK) Limited	**1,591**	1,470
	3,246	3,000

On 11 December 2003 £1,530,000 of loans due to Rightacres Property Company Limited and £1,470,000 of loans due to Macdonald Hotels (UK) Limited were converted to unsecured floating rate loan notes which mature at par on on 30 June 2013 Interest is payable quarterly on these loans at 4% above base rate of Allied Irish Bank (GB) This debt is subordinate to borrowings due to the company's bankers

On 25 May 2006 a further £125,205 was provided by RPCL and £120,295 by MH(UK) Ltd Interest is payable on the same basis as above

Notes *(continued)*

14 Accruals and deferred income

	Government grants £000
At 29 September 2005	460
Credited to the profit and loss account	(17)
At 28 September 2006	**443**

Government grants represent an amount received from the Welsh Tourist Board in respect of capital expenditure incurred in the development of the hotel It is being released to the profit and loss account over the lives of the assets to which it relates

15 Deferred tax

	Deferred taxation £000
At beginning of year	-
Charge to the profit and loss for the year	102
At end of year	**102**

The elements of deferred taxation are as follows

	2006 **£**	2005 £
Difference between accumulated depreciation and amortisation and capital allowances	**808**	-
Tax losses	**(706)**	-
	102	-

Notes *(continued)*

16 Called up share capital

	2006 £	2005 £
Authorised		
'A' shares of £1 each	**294,000**	294,000
'B' shares of £1 each	**306,000**	306,000
	600,000	600,000
Allotted, called up		
'A' ordinary shares of £1 each	**156,181**	156,181
'B' ordinary shares of £1 each	**162,556**	162,556
	318,737	318,737
Allotted but not paid up		
'A' shares of £1 each	-	-
'B' shares of £1 each	-	-
	-	-

The unpaid shares as at 29 September 2005 were fully paid during the year

The respective rights of the categories of shares in existence are as follows

Increase in share capital and allotment of new shares

The share capital of the company may not be increased and no unissued shares allotted without the consent of all members of the company Unless all members consent, all new shares created shall be 'A' or 'B' £1 shares and shall be made in such a manner that at all times 49% of the share capital consists of 'A' shares and 51% consists of 'B' shares 'A' shares can only be issued to 'A' shareholders and 'B' shares to 'B' shareholders

Transfer of shares

Generally, no member may transfer any shares or any interest in shares without the written agreement of all members

Rights to distributions of dividends and/or capital upon a winding up of the company

The 'A' and 'B' shares rank pari passu in this respect

Voting rights

All 'A' shareholders shall have in aggregate one vote Similarly, all 'B' shareholders shall have in aggregate one vote Specific rights and restrictions exist in respect of the appointment of directors as outlined below

Appointment of directors

The maximum number of directors permitted is 4 The holder or holders of a majority of 'A' shareholders are entitled to appoint not more than 2 directors (known as 'A' directors) The holder or holders of a majority of 'B' shareholders are also entitled to appoint note more than 2 directors (known as 'B' directors) The chair of the board shall rotate annually between the 'A' directors and the 'B' directors

'A' shares do not confer the right to vote upon a resolution for the appointment or removal from office of any 'B' director Similarly 'B' shares do not confer the right to vote upon a resolution for the appointment or removal from office of any 'A' director

Notes *(continued)*

17 Reserves

	Profit and loss account £000
At 30 September 2005	**(2,312)**
Retained profit for the year	230
At 28 September 2006	**(2,082)**

18 Reconciliation of movements in shareholders' deficit

	2006 £000	2005 £000
Profit/(loss) for the financial year	**230**	(333)
Net change in shareholders' funds	**230**	(333)
Shareholders' funds as at 30 September 2005	**(1,993)**	(1,660)
Shareholders' deficit as at 28 September 2006	**(1,763)**	(1,993)

19 Reconciliation of operating profit to net cash flow from operating activities

	2006 £000	2005 £000
Continuing operations		
Operating profit	**1,307**	850
Depreciation	**621**	640
Amortisation of government grants	**(17)**	(23)
(Increase)/decrease in stocks	**(22)**	1
Increase in debtors	**(277)**	(18)
(Decrease)/increase in creditors	**(46)**	44
Net cash flow from continuing operations	**1,566**	1,494

Notes *(continued)*

20 Analysis of changes in net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	**At end of year £000**
Cash in hand, at bank	5	2	-	**7**
Overdrafts	(722)	57	-	**(665)**
	(717)	59	-	**(658)**
Debt due after one year	(23,686)	(246)	1,189	**(22,743)**
Debt due within one year	(87)	258	(1,189)	**(1,018)**
Total	(24,490)	71	-	**(24,419)**

21 Lease commitments

	Vehicles, plant and equipment 2006 £000	2005 £000
Within two to five years	**19**	15
After five years	**3**	-
	22	15

22 Financial commitments

The company has outstanding bank guarantees in favour of the City and County of Cardiff of £86,800 *(2005 £86,800)*

23 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £nil *(2005 £ nil)*

Contributions outstanding at the year end were £nil *(2005 £nil)*

Notes *(continued)*

24 Related party disclosures

During the year, the company entered into the following transactions with related parties

(a) A management contract for a minimum period of 10 years with Macdonald Hotels Management Limited (a subsidiary company of Macdonald Hotels Limited) for the management and operation of the hotel Macdonald Hotels Management Limited received £200,000 *(2005 £200,000)* in respect of fees due under this agreement

(b) A 999 year lease with Rightacres Property Company Limited for the west wing of the 14th floor of the hotel property owned by the company The company received £1 on the grant of this lease and is entitled to receive the sum of one peppercorn per annum (if demanded) in respect of rents from Rightacres Property Company Limited for the duration of the lease

In respect of the above transaction £nil *(2005 £Nil)* was due to Macdonald Hotels Management Limited as at 28 September 2006

Macdonald Hotels (UK) Limited is a related party by virtue of it holding the entire class of 'A' shares which represent 49% of the issued share capital of the company

Rightacres Property Company Limited is a related party by virtue of it holding the entire class of 'B' shares which represent 51% of the issued share capital of the company

Both Macdonald Hotels (UK) Limited and Rightacres Property Company Limited are holders of 2013 loan notes issued by the company Interest payable during 2006 amounted to £263,000 (*2005* £261,000) of which £263,000 (*2005* £261,000) was outstanding at the year end