

**Macdonald Hotels and Resorts Limited**

**Directors' report and financial statements**

**Registered number SC125204**

**29 September 2005**



## Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Macdonald Hotels and Resorts Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Company information

Directors	DJ Macdonald JG Busby (resigned 21 July 2005) SS Christie (resigned 21 July 2005) JA Lerche (resigned 21 July 2005) R Pajares (resigned 21 July 2005) GH Smith (appointed 21 July 2005) RG Fraser (appointed 17 Feb 2006)
Secretary	RG Fraser
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ
Registered office	Whiteside House Bathgate West Lothian EH48 2RX

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 September 2005.

### Principal activities

The company manages hotel and leisure businesses.

### Business review

The directors consider the results for the year to be satisfactory and the company's prospects to be good.

The results for the year are set out in the profit and loss account on page 5.

The directors recommend that a dividend of £Nil (2004: £Nil) be paid.

### Directors and directors' interests

The directors who held office during the year are shown on page 1. None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of the directors in the shares of the ultimate parent company, Macdonald Hotels Limited, are disclosed in that company's accounts.

### 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

Whiteside House  
Bathgate  
West Lothian  
EH48 2RX

24<sup>th</sup> July 2006

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 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  
Edinburgh  
EH1 2EG  
United Kingdom

### **Report of the independent auditors to the members of Macdonald Hotels and Resorts Limited**

We have audited the financial statements on pages 5 to 12.

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**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 29 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP  
Chartered Accountants  
Registered Auditor

28 July 2006

**Profit and loss account**  
*for the year ended 29 September 2005*

	<i>Note</i>	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	-	-
Cost of sales		-	(3,326)
		<hr/>	<hr/>
<b>Gross loss</b>		-	(3,326)
Administrative expenses – inter company loan waived		<b>(28,750)</b>	-
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(28,750)</b>	<b>(3,326)</b>
Interest received from related parties		<b>136</b>	<b>150</b>
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<i>2</i>	<b>(28,614)</b>	<b>(3,176)</b>
Tax on loss on ordinary activities	<i>5</i>	<b>(40)</b>	<b>6,009</b>
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>	<i>11</i>	<b>(28,654)</b>	<b>2,833</b>
		<hr/>	<hr/>

The company had no other recognised gains or losses other than as shown above.

**Balance sheet**  
*at 29 September 2005*

	<i>Note</i>	<b>2005</b> £000	<b>2004</b> £000
Investments	6	11,433	10,632
<b>Current assets</b>			
Debtors	7	35,513	60,796
Creditors: amounts falling due within one year	8	(22,022)	(17,850)
<b>Net current assets</b>		<b>13,491</b>	<b>42,946</b>
<b>Net assets</b>		<b>24,924</b>	<b>53,578</b>
<b>Capital and reserves</b>			
Called up share capital	10	3,169	3,169
Share premium account		32,606	32,606
Profit and loss account	11	(10,851)	17,803
		<b>24,924</b>	<b>53,578</b>

These financial statements were approved by the board of directors on 24<sup>th</sup> July 2006 and were signed on its behalf by:



**RG Fraser**  
 Director



## 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.

#### *Basis of preparation*

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

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Macdonald Hotels Limited, and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of the group headed by Macdonald Hotels Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

#### *Investments*

Investments in subsidiary undertakings, associates and joint ventures are stated at cost.

#### *Taxation*

The charge for taxation is based on the profits for the period. In accordance with FRS 19, deferred tax is recognised without discounting for all material timing differences in respect of 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.

#### *Turnover*

Turnover represents the invoiced value of sales excluding value added tax. All the company's turnover arises in the United Kingdom.

### 2 Loss on ordinary activities before taxation

The audit fee for the year has been borne by the company's parent company.

### 3 Staff numbers and costs

	2005	2004
Average number of employees	-	2

### 4 Staff costs and directors' emoluments

The company has no employees other than its directors. Services are provided by a related party, Macdonald Management Limited.

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

## Notes (continued)

### 5 Taxation

The taxation charge/(credit) comprises:

	2005 £000	2004 £000
<i>Current tax</i>		
Current year	41	(956)
Prior year	-	(483)
Prior year tax charge re-allocated to subsidiary undertakings	-	(4,635)
Total current tax charge/(credit)	41	(6,074)
<i>Deferred tax</i>		
Current year	-	65
Prior year	(1)	-
Total deferred tax (credit)/charge	(1)	65
Total tax charge/(credit)	40	(6,009)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2004 : higher) than the standard rate of corporation tax in the UK (30%, 2004 : 30%). The differences are explained below.

	2005 £000	2004 £000
Loss on ordinary activities before tax	(28,614)	(3,176)
Tax on profit on ordinary activities at standard UK corporation tax 30% (2003: 30%)	(8,584)	(953)
<i>Effects of:</i>		
Inter company loan waived	8,625	-
Adjustment in respect of prior periods	-	(483)
Tax of other group companies	-	(4,635)
Other differences	-	(3)
Current tax charge for year	41	(6,074)

## Notes (continued)

### 6 Fixed asset investments

	Subsidiary shares	Joint ventures loans	Associates Shares	Loans	Trade investments	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 30 September 2004	7,147	750	155	1,493	1,087	10,632
Additions	-	801	-	-	-	801
	<u>7,147</u>	<u>1,551</u>	<u>155</u>	<u>1,493</u>	<u>1,087</u>	<u>11,433</u>
At 29 September 2005	7,147	1,551	155	1,493	1,087	11,433

At 29 September 2005 the following companies were the principal subsidiaries, associated undertakings and investments, operating in the UK. All of the entries are included in the consolidation of the parent company, Macdonald Hotels Limited, and are 100% owned unless noted below.

#### Subsidiaries

#### Associates

Intra Inns Limited	(i)	Holyrood Hotels Limited (19%)	(i)
Kilhey Court Hotels Limited	(i), (iv)	Cardrona Hotel, Golf & Country Club Limited (15%)	(i)
Macdonald Hotels (UK) Limited	(i)		
Macdonald Hotels (Management) Limited	(iii)	<b>Investments</b>	
MHL (Management) No 1 Limited	(iii)		
Leisure Resorts Management Limited	(iii)	Topco (No 1) Limited (15%)	(ii)
Aviemore Leisure Management Limited	(iii)	Pinco Limited	(i)
Pittodrie House Hotel Limited	(i), (iv)		

The nature of the business is as noted:

- (i) Hotels
- (ii) Hotels and Leisure
- (iii) Management Services
- (iv) Held through intermediate subsidiary

Trade investments relate to the group's interest in Topco No 1 Limited (of which £675,000 is deferred) and an investment in Pinco Limited.

## Notes (continued)

### 7 Debtors

	2005 £000	2004 £000
Trade debtors	-	-
Other debtors and prepayments	176	50
Amounts due from joint ventures	-	64
Amounts due from group undertakings	34,908	58,838
Corporation tax	429	1,844
	<u>35,513</u>	<u>60,796</u>

Although amounts due from subsidiary undertakings are repayable on demand, the company has no plans to demand settlement in the short term.

### 8 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	20,770	16,199
Accruals and deferred income	213	619
Other creditors	1,039	1,032
	<u>22,022</u>	<u>17,850</u>

### 9 Deferred taxation

	2005 £000	2004 £000
At 30 September 2004	-	(66)
Charge for year	-	66
	<u>-</u>	<u>-</u>
At 29 September 2005	-	-
	<u>-</u>	<u>-</u>
	2005 £000	2004 £000
Difference between accumulated depreciation and capital allowances	-	-
Other timing differences	-	-
	<u>-</u>	<u>-</u>

## Notes (continued)

### 10 Called up share capital

	2005 £000	2004 £000
<i>Authorised</i>		
78,000,000 ordinary shares of 5p each	3,900	3,900
<i>Allotted, called up and fully paid</i>		
63,370,864 ordinary shares of 5p each	3,169	3,169

### 11 Reserves

	2005 £000	2004 £000
<i>Profit and loss account</i>		
At 30 September 2004	17,803	14,970
Profit/(loss) for the year	(28,654)	2,833
At 29 September 2005	(10,851)	17,803

### 12 Reconciliation of movements in shareholders' funds

	2005 £000	2004 £000
Profit/(loss) attributable to shareholders	(28,654)	2,833
Opening shareholders' funds	53,578	50,745
Closing shareholders' funds	24,924	53,578

### 13 Contingent liabilities

The company is party to joint and several guarantees with other group members, including Macdonald Hotels Limited, in respect of bank borrowings. The company's liability in respect of these guarantees at 29 September 2005 amounted to £492 million (2004: £441 million).

The company also has an obligation under the group VAT registration amounting at 29 September 2005 to £4 million (2004: £4 million).

### 14 Related parties

During the year the company received £48,000 (2004: £43,000) in loan stock interest from Holyrood Hotels Limited, an associate in respect of the company's investment in loan stock (note 8). The amount outstanding in respect of accrued interest at the year end was £24,000 (2004: £nil)

The company received £Nil (2004: £nil) in loan stock interest from Cardrona Hotel, Golf and Country Club Limited, an associate, in respect of the company's investment in loan stock (note 8). The amount outstanding in respect of accrued interest at the year end was £Nil (2004: £nil)

The company received £65,000 (2004: £47,000) in loan stock interest from Hill Valley Hotel, Golf and Country Club Limited, an associate, in respect of the company's investment in loan stock (note 8). The amount outstanding in respect of accrued interest at the year end was £112,000 (2004: £47,000)

## **Notes** *(continued)*

### **15 Ultimate parent company**

The company's ultimate parent company is Macdonald Hotels Limited which is incorporated in Great Britain.

The consolidated financial statements of Macdonald Hotels Limited can be obtained from Whiteside House, Bathgate, West Lothian, EH48 2RX. The largest and smallest group in which the company's accounts are consolidated are headed by Macdonald Hotels Limited.