

**Macdonald Hotels and Resorts Limited**

Directors' report and financial statements

Registered number SC125204

28 September 2006

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## Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditors' report to the members of Macdonald Hotels and Resorts Limited	6
Profit and loss account	9
Balance sheet	10
Notes	7

## Company information

Directors	DJ Macdonald RG Fraser GH Smith
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 28 September 2006

### 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 (2005 £Nil) be paid

### Directors

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

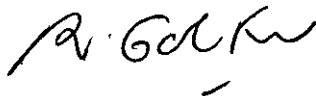
### Disclosure of information to auditors

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*

Whiteside House  
Bathgate  
West Lothian  
EH48 2RX

24 July 2007

## **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

## **Independent auditors' report to the members of Macdonald Hotels and Resorts Limited**

We have audited the financial statements of Macdonald Hotels and Resorts Limited for the year ended 28 September 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 3, 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 loss 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**

*Chartered Accountants*

*Registered Auditor*

26 July 2007

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**Profit and loss account**  
*for the year ended 28 September 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	2005 £000
Administrative expenses (2005 inter company loan waived) (2006 write down investment in subsidiary)		<b>(9,870)</b>	(28,750)
<b>Operating loss</b>		<b>(9,870)</b>	(28,750)
Interest received from related parties		<b>193</b>	136
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2</b>	<b>(9,677)</b>	(28,614)
Tax on loss on ordinary activities	<b>5</b>	<b>(58)</b>	(40)
<b>Profit/(loss) for the financial year</b>	<b>10</b>	<b>(9,735)</b>	(28,654)

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

**Balance sheet**  
*at 28 September 2006*

	Note	2006 £000	2005 £000
<b>Fixed assets</b>			
Investments	6	13,067	11,433
<b>Current assets</b>			
Debtors	7	2,397	35,513
Creditors' amounts falling due within one year	8	(275)	(22,022)
<b>Net current assets</b>		2,122	13,491
<b>Net assets</b>		15,189	24,924
<b>Capital and reserves</b>			
Called up share capital	9	3,169	3,169
Share premium account		32,606	32,606
Profit and loss account	10	(20,586)	(10,851)
		15,189	24,924

These financial statements were approved by the board of directors on 24 July 2007 and were signed on its behalf by



**R G 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

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 these new standards have had a material effect on these financial statements

### *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 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

### 2 Profit / (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

	2006	2005
Average number of employees	=====	=====

## Notes (continued)

### 4 Staff costs and directors' emoluments

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

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

### 5 Taxation

The taxation charge/(credit) comprises

	2006 £000	2005 £000
<i>Current tax</i>		
Current year	58	41
	<hr/>	<hr/>
Total current tax charge/(credit)	58	41
	<hr/>	<hr/>
<i>Deferred tax</i>		
Prior year		(1)
	<hr/>	<hr/>
Total tax charge/(credit)	58	40
	<hr/>	<hr/>

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

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

	2006 £000	2005 £000
Profit/(loss) on ordinary activities before tax	191	(28,614)
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard UK corporation tax 30% (2005 30%)	58	(8,584)
	<hr/>	<hr/>
<i>Effects of</i>		
Inter company loan waived		8,625
	<hr/>	<hr/>
Current tax charge for year	58	41
	<hr/>	<hr/>

## Notes (continued)

### 6 Fixed asset investments

	Subsidiary shares	Joint ventures loans	Associates		Trade investments	Total
			Shares	Loans		
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At the beginning of the year	7,147	1,551	155	1,493	1,087	11,433
Additions	1,327	2,659			50	4,036
Repayments				(1,493)		(1,493)
Disposals			(122)		(787)	(909)
At the end of the year	<b>8,474</b>	<b>4,210</b>	<b>33</b>		<b>350</b>	<b>13,067</b>

At 28 September 2006 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)		
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	(ii)		
Leisure Resorts Management Limited	(iii)		
Aviemore Leisure Management Limited	(iii)	Pinco Limited	(i)
Pittodrie House Hotel Limited	(i), (iv)		
Holyrood Hotels Limited (89%)	(i)		
Hill Valley Golf and Country Club (50%)	(i)		

The nature of the business is as noted

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

## Notes (continued)

### 7 Debtors

	2006 £000	2005 £000
Other debtors and prepayments	369	176
Amounts due from group undertakings	2,028	34,908
Corporation tax		429
	<u>2,397</u>	<u>35,513</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

	2006 £000	2005 £000
Bank overdraft		20,770
Accruals and deferred income		213
Group relief payable	58	
Other creditors	217	1,039
	<u>275</u>	<u>22,022</u>

### 9 Called up share capital

	2006 £000	2005 £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

### 10 Reserves

	2006 £000	2005 £000
<i>Profit and loss account</i>		
At the beginning of the year	(10,851)	17,803
Loss for the financial year	(9,735)	(28,654)
	<u>(20,586)</u>	<u>(10,851)</u>

## Notes (continued)

### 11 Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Loss for the financial year	(9,735)	(28,654)
Opening shareholders' funds	24,924	53,578
	<hr/>	<hr/>
Closing shareholders' funds	15,189	24,924
	<hr/>	<hr/>

### 12 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 28 September 2006 amounted to £577 million (2005 £492 million).

The company also has an obligation under the group VAT registration amounting at 28 September 2006 to £4 million (2005 £4 million).

### 13 Related parties

The company received £189,000 (2005 £65,000) 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 £301,000 (2005 £112,000).

### 14 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.