

**Macdonald Hotels and Resorts Limited**

Directors' report and financial statements

Registered number SC125204

25 September 2008

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## Company information

Directors  
DJ Macdonald  
GH Smith (resigned 11 April 2008)  
D Guile  
RG Fraser

Secretary  
M Ross

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 25 September 2008.

### **Principal activities**

The company is a holding company.

### **Business review**

The financial results for the year ended 25 September 2008 are contained in the profit and loss account.

The principal risks and uncertainties affecting the business include the following:

- The impact of current economic conditions on consumer spending levels: the company operates in an industry which is impacted by consumer spending levels. The Company operates in a variety of markets including corporate, leisure, conference and functions, providing it with adequate sheltering from the impact of any drop in consumer spending levels.
- 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 together with the continual investment in its product reduces the possible effect of action by any single competitor.

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; 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.

Key non-financial performance indicators include the monitoring of quality, 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 quality together with limiting the Company's environmental impact and energy consumption.

### **Dividend**

The directors do not recommend the payment of a dividend.

### **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.

**Directors' report** *(continued)*

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**RG Fraser**  
*Director*

Whiteside House  
Bathgate  
West Lothian  
EH48 2RX

15 July 2009

## **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 and applicable law (UK Generally Accepted Accounting Practice).

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 UK 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  
Edinburgh  
EH1 2EG  
United Kingdom

## **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 25 September 2008 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 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.

In addition we 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 25 September 2008 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  
Chartered Accountants  
Registered Auditor

15 July 2009

**Profit and loss account**  
*for the year ended 25 September 2008*

	<i>Note</i>	<b>2008</b> <b>£000</b>	<b>2007</b> <b>£000</b>
Administrative expenses		(178)	(1)
<b>Operating loss</b>		<b>(178)</b>	<b>(1)</b>
Gain on disposal of investments		-	229,654
(Loss)/profit on ordinary activities before interest		(178)	229,653
Interest receivable	4	18,601	10,625
<b>Profit on ordinary activities before taxation</b>	2	<b>18,423</b>	<b>240,278</b>
Tax on profit on ordinary activities	5	(5,365)	(2,265)
<b>Profit for the financial year</b>	10	<b>13,058</b>	<b>238,013</b>

The company has no recognised gains or losses other than as reported above.



**Balance sheet**  
 at 25 September 2008

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Investments	6	7,573	7,573
<b>Current assets</b>			
Debtors	7	266,979	248,978
Creditors: amounts falling due within one year	8	(8,292)	(3,349)
<b>Net current assets</b>		<u>258,687</u>	<u>245,629</u>
<b>Net assets</b>		<u><u>266,260</u></u>	<u><u>253,202</u></u>
<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	<u>230,485</u>	<u>217,427</u>
Shareholders' funds	11	<u><u>266,260</u></u>	<u><u>253,202</u></u>

These financial statements were approved by the board of directors 15 July 2009 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.

#### *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, less amounts written off.

#### *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 on ordinary activities before taxation

The audit fee for the year of £3,500 (2007: £2,000) has been borne by the company's parent company.

### 3 Staff costs and directors' emoluments

The company has no employees other than its directors.

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

### 4 Interest receivable

	2008 £000	2007 £000
Receivable from group undertakings	18,572	10,596
Receivable from related parties	29	29
	<hr/> 18,601 <hr/>	<hr/> 10,625 <hr/>

## Notes (continued)

### 5 Taxation

The taxation charge comprises:

	2008 £000	2007 £000
<i>Current tax</i>		
Group relief payable	5,343	2,265
Group relief – adjustment in respect of prior periods	22	-
	<hr/>	<hr/>
Total tax charge	5,365	2,265
	<hr/>	<hr/>

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

The current tax charge for the period higher than (2007: lower than) the standard rate of corporation tax in the UK of 29% (2007: 30%). The differences are explained below.

	2008 £000	2007 £000
Profit on ordinary activities before tax	18,423	240,278
	<hr/>	<hr/>
Current tax at 29% (2007: 30%)	5,343	72,083
<i>Effects of:</i>		
Non taxable gain on disposal of investments	-	(68,896)
Group relief surrendered for nil consideration	-	(922)
Adjustment in respect of prior periods	22	-
	<hr/>	<hr/>
Current tax charge for year	5,365	2,265
	<hr/>	<hr/>

## Notes (continued)

### 6 Fixed asset investments

	Subsidiaries		Associates	Other	Total
	Shares £000	Loans £000	Shares £000	loans £000	£000
<b>Cost</b>					
At beginning and end of year	14,943	2,331	33	350	17,657
<b>Provision</b>					
At beginning and end of year	10,084	-	-	-	10,084
<b>Net book value</b>					
At end of year	4,859	2,331	33	350	7,573
At beginning of year	4,859	2,331	33	350	7,573

At 25 September 2008 the following companies were the principal subsidiaries and associated undertakings operating in the UK. All of the entities are included in the consolidation of the parent company, Macdonald Hotels Limited, and are 100% owned unless noted below.

#### Subsidiaries

Macdonald Hotels (Manchester) Limited	(i)
Macdonald Resorts Limited	(ii)
Macdonald Hotels (Management) Limited	(iii)
MHL (Management) No 1 Limited	(iii)
Leisure Resorts Management Limited	(iii)
Beginmajor Limited	(v)
Countryside Hotels Limited	(v)
Inchyra Services Limited	(v)
Macdonald Golf Limited	(v)
Thainstone House Hotel Limited	(v)
Aviemore Leisure Management Limited	(iii)
Pittodrie Group Limited (50%)	(i)
Pittodrie House Hotel Limited	(i), (iv)
Holyrood Hotels Limited	(i)
Hill Valley Hotel, Golf and Country Club (75%)	(i)
Cardrona Hotel, Golf & Country Club (69%)	(i)

#### Associates

Topco (No. 1) Limited	(v)
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The nature of the business is as noted:

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

## Notes (continued)

### 7 Debtors

	2008 £000	2007 £000
Other debtors and prepayments	3	11
Amounts due from group undertakings	266,853	248,356
Interest due from subsidiary	-	513
Interest due from related party	123	98
	<u>266,979</u>	<u>248,978</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

	2008 £000	2007 £000
Bank overdraft (secured)	2,806	842
Accruals and deferred income	94	113
Group relief payable	5,343	2,265
Other creditors	49	129
	<u>8,292</u>	<u>3,349</u>

### 9 Called up share capital

	2008 £000	2007 £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

	2008 £000	2007 £000
<i>Profit and loss account</i>		
At beginning of year	217,427	(20,586)
Profit for the financial year	13,058	238,013
	<u>230,485</u>	<u>217,427</u>

## Notes (continued)

### 11 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	13,058	238,013
Opening shareholders' funds	253,202	15,189
	<hr/>	<hr/>
Closing shareholders' funds	266,260	253,202
	<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 25 September 2008 amounted to £309 million (2007: £296million).

The company also has an obligation under the group VAT registration amounting at 25 September 2008 to £3.1 million (2007: £1.3 million).

### 13 Related parties

The company received £29,000 (2007: £29,000) in loan stock interest from Egerton House Hotel (Bolton) Limited, in respect of the company's investment in loan stock. The amount outstanding in respect of accrued interest at the year end was £123,000 (2007: £94,000).

### 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.