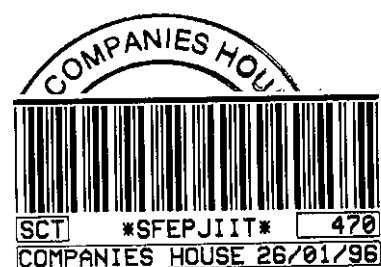


Macdonald Hotels Limited
Directors' report and consolidated
financial statements
26 March 1995
Registered number SC125204

8



Macdonald Hotels Limited

Directors' report and consolidated financial statements

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Macdonald Hotels Limited

Company information

Directors

F O'Callaghan (chairman)
DJ Macdonald
GH Smith
ADM MacDonald
JAM Orr
JG Busby
M Wright
T Hemmings
C MacLeod

Secretaries

Orr MacQueen WS
36 Heriot Row
Edinburgh
EH3 6ES

Auditors

KPMG
Royal Exchange
Dundee
DD1 1DZ

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Registered office

36 Heriot Row
Edinburgh
EH3 6ES

Macdonald Hotels Limited

Directors' report

The directors submit their annual report and the audited financial statements of the group for the year ended 26 March 1995.

Principal activities

The group's principal activities are that of proprietors, operators and managers of hotels.

Business review

The directors consider the results for the year to be satisfactory reflecting a full year of contribution from the eight hotels purchased in September 1993. Trading in the new year is showing continued growth and the directors consider the group's prospects to be reasonable.

The results for the year are set out in the profit and loss account on page 6.

Significant changes in fixed assets

Movement in fixed assets are set out in note 9 to the accounts.

Since 26 March 1995 the group has purchased a further four hotels.

Directors

Mr D Kearney resigned and both Mr T Hemmings and Dr C MacLeod were appointed to the board in November 1995.

The directors who held office at the date of this report are shown on page 1 and their interests in the shares of the company at the beginning and end of the year are as follows:

	Number of ordinary shares	
	At 26 March 1995	At 28 March 1994 or date of appointment
DJ Macdonald	150,000	150,000
GH Smith	100,000	100,000
F O'Callaghan	50,000	50,000
JAM Orr	100,000	100,000
ADM MacDonald	100,000	100,000
JG Busby	-	-
M Wright (appointed 4 July 1994)	-	-

Mr DJ Macdonald and Mr GH Smith have options to subscribe for 80,000 and 40,000 ordinary shares of £1 each respectively at a price of £3.50 per share. The option can be exercised at the individuals' discretion.

Macdonald Hotels Limited

Directors' report (*continued*)

In addition, the following directors have options to subscribe for shares at £12.85. These options are exercisable at the individual's discretion.

	Number of ordinary shares	
	At 26 March 1995	At 28 March 1994 or date of appointment
DJ Macdonald	1,300	-
GH Smith	237	-
F O'Callaghan	3,543	-
JG Busby	2,362	-

Employees

The Group's policy is that where it is reasonable and practicable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion.

The Board recognises the importance of employees being fully informed of events which directly affect them and their working conditions and to this end, regular monthly meetings are held with managers to provide a source of information on the Group's performance and plans.

Charitable donations

The group made charitable donations of £15,950. No political contributions were made during the year.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

Orr MacQueen
Secretaries



Edinburgh
28 December 1995

Macdonald Hotels Limited

Directors' responsibilities for the preparation of financial statements

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 group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to prevent and detect fraud and other irregularities.

Macdonald Hotels Limited



Report of the auditors to the members of Macdonald Hotels Limited

We have audited the financial statements on pages 6 to 22.

Respective responsibilities of the directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 group'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 affairs of the company and the group as at 26 March 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' in a stylized, cursive script.

KPMG
Chartered Accountants
Registered Auditors

Royal Exchange
Dundee
DD1 1DZ
28 December 1995

Macdonald Hotels Limited

Consolidated profit and loss account for the year ended 26 March 1995

	Notes	1995 £	1994 £
Turnover		28,772,051	19,869,253
Cost of sales		8,861,605	5,529,642
Gross profit		19,910,446	14,339,611
Administrative expenses		13,918,232	10,626,671
Operating profit		5,992,214	3,712,940
Interest payable	5	(2,507,703)	(1,669,794)
Interest receivable	6	171,199	29,090
Profit on ordinary activities before taxation	2-4	3,655,710	2,072,236
Tax on profit on ordinary activities	7	1,114,727	133,545
Profit for the financial year		2,540,983	1,938,691
Dividends paid and proposed - non equity	8	50,000	50,000
Profit for the year retained for equity shareholders		2,490,983	1,888,691
Retained profit for the financial year			
Company		2,118,450	1,162,657
Group undertakings		372,533	726,034
		2,490,983	1,888,691

There are no recognised gains or losses other than the profit for the year of £2,540,983 (1994 - £1,938,691).

A statement of the movement on reserves is given in note 17.

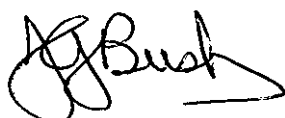
Macdonald Hotels Limited

Consolidated balance sheet at 26 March 1995

	Notes	£	1995 £	1994 £
Fixed assets				
Tangible assets	9		41,682,546	40,480,179
Current assets				
Stocks	11	322,138		315,822
Debtors	12	2,884,521		2,329,168
Cash at bank and in hand		6,552,919		1,971,995
		<u>9,759,578</u>		<u>4,616,985</u>
Creditors: amounts falling due within one year	13	<u>10,506,241</u>		<u>5,761,842</u>
Net current liabilities			(746,663)	(1,144,857)
Total assets less current liabilities			<u>40,935,883</u>	<u>39,335,322</u>
Creditors: amounts falling due after more than one year	14	27,625,000		28,655,000
Provision for liabilities and charges				
Deferred taxation	15	608,934		469,356
			<u>28,233,934</u>	<u>29,124,356</u>
Net assets			<u>12,701,949</u>	<u>10,210,966</u>
Capital and reserves				
Called up share capital	16		1,000,000	1,000,000
Capital reserve	17		24,261	24,261
Revaluation reserve	17		6,277,323	6,277,323
Profit and loss account	17		5,400,365	2,909,382
			<u>12,701,949</u>	<u>10,210,966</u>
Shareholders' funds				
Equity		12,201,949		9,710,966
Non-equity		<u>500,000</u>		<u>500,000</u>
			<u>12,701,949</u>	<u>10,210,966</u>

These financial statements were approved by the board of directors on 28 December 1995 and were signed on its behalf by:

JG Busby
Director



KPMG

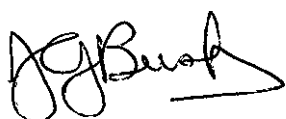
Macdonald Hotels Limited

Balance sheet at 26 March 1995

	Notes	£	1995 £	£	1994 £
Fixed assets					
Tangible assets	9		28,111		48,952
Investments	10		4,821,357		4,821,357
			<u>4,849,468</u>		<u>4,870,309</u>
Current assets					
Debtors	12	33,059,781		28,328,758	
Cash at bank and in hand		6,495,835		509,390	
		<u>39,555,616</u>		<u>28,838,148</u>	
Creditors: amounts falling due within one year	13	11,939,175		2,239,840	
		<u></u>		<u></u>	
Net current assets			27,616,441		26,598,308
Total assets less current liabilities			<u>32,465,909</u>		<u>31,468,617</u>
Creditors: amounts falling due after more than one year	14		(27,500,000)		(28,500,000)
Provisions for liabilities and charges					
Deferred taxation	15		121,158		-
			<u>5,087,067</u>		<u>2,968,617</u>
Net assets			<u>5,087,067</u>		<u>2,968,617</u>
Capital and reserves					
Called up share capital	16		1,000,000		1,000,000
Profit and loss account	17		4,087,067		1,968,617
			<u>5,087,067</u>		<u>2,968,617</u>
Shareholders' funds					
Equity		4,587,067		2,468,617	
Non-equity		500,000		500,000	
		<u></u>	<u>5,087,067</u>	<u></u>	<u>2,968,617</u>

These financial statements were approved by the board of directors on 28 December 1995 and were signed on its behalf by:

JG Busby
Director



Macdonald Hotels Limited

Consolidated cash flow statement at 26 March 1995

	Notes	£	1995 £	£	1994 £
Net cash inflow from operating activities	23		7,037,345		4,584,801
Returns on investment and servicing of finance -					
Interest received		171,231		19,042	
Dividends paid		(50,000)		(50,000)	
Interest paid		(2,520,515)		(1,695,508)	
Net cash outflow from returns on investments and servicing of finance			(2,399,284)		(1,726,466)
Taxation					
Tax received/(paid)			27,559		(37,041)
Investing activities					
Purchase of tangible fixed assets		(1,863,651)		(24,324,793)	
Sale of tangible fixed assets		45,015		28,118	
Net cash outflow from investing activities			(1,818,636)		(24,296,675)
Net cash inflow/(outflow) before financing			2,846,984		(21,475,381)
Financing					
Term loans received		-		29,500,000	
Repayment of loans		(30,000)		(47,500)	
Capital element of hire purchase contracts		-		(4,289)	
Net cash (outflow)/inflow from financing			(30,000)		29,448,211
Increase in cash and cash equivalents	24		2,816,984		7,972,830

Macdonald Hotels Limited

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 financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings. These accounts are made up to 26 March 1995.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is written off (or credited) to reserves in the year in which it arises.

In accordance with Section 230 (4) of the Companies Act 1985 Macdonald Hotels Limited is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

The company's hotel properties are valued periodically on an open market existing use basis by professional valuers. These revaluations are incorporated in the financial statements and the aggregate surplus or deficiency arising thereon is taken to revaluation reserve.

Any permanent diminution in the value of such properties is charged to the profit and loss account in the year in which such diminution occurs.

Other fixed assets are stated at cost.

No depreciation is provided on freehold buildings and fixed plant, on the basis that it is the group's policy to ensure that these assets are continually maintained in a sound state of repair and accordingly the directors consider that the lives of such assets are so long and residual values so high that depreciation is insignificant. The appraisal of residual values is based on prices prevailing at the time of acquisition or subsequent valuation of the property in question.

Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost of the assets by equal instalments over their estimated useful lives as follows:

Furniture, fittings and fixtures	-	10% - 50%
Motor vehicles	-	25%

Macdonald Hotels Limited

Notes (continued)

1 Accounting policies (continued)

Interest

Interest charges incurred in the acquisition, construction or redevelopment of trading units where expenditure on the unit exceeds £500,000 are capitalised (exclusive of tax relief) up to the point of opening for business. Otherwise interest is charged against profit as it arises.

Deferred expenditure

Pre opening expenditure incurred up to the date of commencement of full trading is charged against profits evenly over the first four years of operation, unless the cost of the project is less than £500,000 in which case the expenditure is charged against profits of the year in which the project is completed.

Leases

Where a company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life, or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension scheme

The group operates a defined contribution pension scheme and also makes defined contributions into pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents the contributions paid by the group to the schemes during the year.

Stocks

Stocks are stated at the lower of cost or net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the invoiced value of sales excluding value added tax.

Macdonald Hotels Limited

Notes (continued)

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1995 £	1994 £
Auditors' remuneration - audit	15,500	15,500
- non-audit work	10,850	3,500
Depreciation	661,195	442,257
Directors' remuneration (note 4)	413,895	388,510
Operating leases:		
Hire of plant and machinery	166,389	7,864
Other	9,977	-
Loan finance costs	-	885,993
	=====	=====
<i>and after crediting:</i>		
Gain on disposal of fixed assets	6,590	4,691
	=====	=====

3 Staff numbers and costs

	Number 1995	Number 1994
Average number of employees	1,294	1,300
	=====	=====
	£	£
Wages and salaries	9,631,616	6,571,539
Social security costs	708,374	510,871
Other pension costs	105,597	47,512
	=====	=====
	10,445,587	7,129,922
	=====	=====

Macdonald Hotels Limited

Notes (continued)

4 Remuneration of directors

The emoluments, excluding pension contributions, of the chairman were £15,540 (1994 - £27,639) and those of the highest paid director were £127,983 (1994 - £138,350).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	Number of directors	
	1995	1994
£5,001 - £10,000	3	-
£10,001 - £15,000	-	2
£15,001 - £20,000	2	1
£70,001 - £75,000	1	1
£85,001 - £90,000	1	-
£90,001 - £95,000	-	1
£125,001 - £130,000	1	-
£135,001 - £140,000	-	1
	—	—
	8	6
	==	==

Payment is also made for directors' services to third parties in respect of their services.

In the year to 26 March 1995 such payments amounted to £15,000 (1994 - £47,196).

Information relating to directors' share options is shown in the directors' report.

5 Interest payable

	1995	1994
	£	£
Bank loans and overdrafts, and other loans wholly repayable within five years	2,495,375	1,644,305
Other loans	12,328	24,668
Finance charges in respect of hire purchase contracts	-	821
	—	—
	2,507,703	1,669,794
	=====	=====

6 Interest receivable

Bank interest	169,410	29,090
Other interest	1,789	-
	—	—
	171,199	29,090
	=====	=====

Macdonald Hotels Limited

Notes (continued)

7 Taxation

	1995 £	1994 £
UK corporation tax at 33% (1994 - 33%) on the profit for the year	989,408	-
Deferred taxation	14,850	294,369
Irrecoverable ACT	15,417	-
	<hr/>	<hr/>
Prior year	1,019,675	294,369
- Corporation tax	(29,676)	(5,024)
- Deferred taxation	124,728	(155,800)
	<hr/>	<hr/>
	1,114,727	133,545
	=====	=====

8 Dividends

Preference dividend - 10% net - non equity	50,000	50,000
	=====	=====

9 Tangible fixed assets

Group

<i>Cost or valuation</i>	Freehold land and buildings £	Furniture fittings & equipment £	Assets in course of construction £	Motor vehicles £	Total £
At 27 March 1994	35,149,485	6,797,175	101,009	217,682	42,265,351
Additions	3,421	240,450	1,514,952	143,163	1,901,986
Disposals	-	-	(1,365)	(71,197)	(72,562)
Transfers	59,993	538,032	(598,025)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 26 March 1995	35,212,899	7,575,657	1,016,571	289,648	44,094,775
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 27 March 1994	-	1,692,362	-	92,810	1,785,172
Charge for year	-	608,492	-	52,703	661,195
Disposals	-	-	-	(34,138)	(34,138)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 26 March 1995	-	2,300,854	-	111,375	2,412,229
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 26 March 1995	35,212,899	5,274,803	1,016,571	178,273	41,682,546
	=====	=====	=====	=====	=====
At 27 March 1994	35,149,485	5,104,813	101,009	124,872	40,480,179
	=====	=====	=====	=====	=====

Macdonald Hotels Limited

Notes (continued)

9 Tangible fixed assets (continued)

Company

	Fittings and equipment £	Motor vehicles £	Total £
Cost			
At 27 March 1994	-	97,315	97,315
Additions	4,032	16,234	20,266
Disposals	-	(35,225)	(35,225)
	<hr/>	<hr/>	<hr/>
At 26 March 1995	4,032	78,324	82,356
	<hr/>	<hr/>	<hr/>
Depreciation			
At 27 March 1994	-	48,363	48,363
Charge for year	155	14,658	14,813
Disposals	-	(8,931)	(8,931)
	<hr/>	<hr/>	<hr/>
At 26 March 1995	155	54,090	54,245
	<hr/>	<hr/>	<hr/>
Net book value			
At 26 March 1995	3,877	24,234	28,111
	<hr/>	<hr/>	<hr/>
At 27 March 1994	-	48,952	48,952
	<hr/>	<hr/>	<hr/>

Particulars relating to revalued assets are given below:

	1995 £	1994 £
Freehold land and buildings		
At 1991 open market value	14,158,683	14,158,683
Aggregate depreciation thereon	-	-
	<hr/>	<hr/>
Net book value	14,158,683	14,158,683
	<hr/>	<hr/>
Historical cost of revalued assets	7,881,360	7,881,360
Aggregate depreciation based on historical costs	-	-
	<hr/>	<hr/>
Historical net book value	7,881,360	7,881,360
	<hr/>	<hr/>

Macdonald Hotels Limited

Notes (continued)

10 Fixed asset investments

£

Investment in subsidiaries - shares at cost

At 26 March 1995 and 27 March 1994

4,821,357

=====

The company's subsidiaries are:

Subsidiary	Country of incorporation	Activity	% Ordinary shares held
Waterside Inns Limited	Scotland	Hoteliers	100.00
Leisure Resorts Management Ltd	Scotland	Management Services	100.00
Inchyra Services Limited *	Scotland	Non trading	100.00
Inchyra Grange Hotel Limited *	Scotland	Hoteliers	100.00
MHL Management (No 1) Limited	Scotland	Management Services	100.00
Cairn Management Limited	Scotland	Management Services	100.00
MHL Management (No 3) Limited	Scotland	Hoteliers	100.00

* The company owns the whole issued share capital of Inchyra Services Limited which in turn owns the whole issued share capital of Inchyra Grange Hotel Limited.

11 Stocks

	Group	
	1995 £	1994 £
Goods for resale	322,138	315,822
	=====	=====

12 Debtors

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Trade debtors	2,088,869	1,596,277	346,428	-
Amounts owed by group undertakings	-	-	26,991,334	24,134,949
Prepayments and accrued income	795,652	732,891	147,135	217,673
Group relief	-	-	1,674,884	851,136
Dividends receivable	-	-	3,900,000	3,125,000
	2,884,521	2,329,168	33,059,781	28,328,758
	=====	=====	=====	=====

Macdonald Hotels Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Bank overdraft (secured)	3,112,378	1,348,438	-	719,466
Trade creditors	863,415	772,574	-	24,967
Amounts owed to group undertakings	-	-	9,368,714	276,395
Loans	2,030,000	1,030,000	2,000,000	1,000,000
Other creditors including taxation and social security	1,308,610	1,081,728	9,952	24,491
Accruals and deferred income	2,202,430	1,513,477	560,509	194,521
Corporation tax	989,408	15,625	-	-
	<u>10,506,241</u>	<u>5,761,842</u>	<u>11,939,175</u>	<u>2,239,840</u>
	=====	=====	=====	=====

The bank overdraft is secured by a standard security over the freehold land and buildings and by a floating charge over the whole property and undertaking of the group.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Bank loans	27,000,000	28,500,000	27,000,000	28,500,000
Other loans	625,000	155,000	500,000	-
	<u>27,625,000</u>	<u>28,655,000</u>	<u>27,500,000</u>	<u>28,500,000</u>
	=====	=====	=====	=====

Macdonald Hotels Limited

Notes (continued)

14 Creditors: amounts falling due after more than one year (continued)

The maturity of the loans are as follows:

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Within one year	2,030,000	1,030,000	2,000,000	1,000,000
In the second to fifth years	12,120,000	11,120,000	12,000,000	11,000,000
Over five years	15,505,000	17,535,000	15,500,000	17,500,000
	<u>29,655,000</u>	<u>29,685,000</u>	<u>29,500,000</u>	<u>29,500,000</u>
	=====	=====	=====	=====

The bank loans due after more than one year are repayable in 6-monthly instalments. The first £2,000,000 bears interest at 3% per annum above LIBOR with the remainder bearing interest at 2% per annum above LIBOR. These loans are secured by a standard security over the freehold land and buildings and by a floating charge over the whole property and undertaking of the group.

The other loan due after more than one year is repayable in monthly instalments of £2,500 and bears interest at 6% per annum. This loan is secured by a standard security over the freehold land and buildings of Waterside Inns Limited and by a floating charge over the whole property and undertaking of that company.

15 Deferred taxation

	Group	Company
	£	£
At 27 March 1994	469,356	-
Charge/(credit) for year in profit and loss account	139,578	(121,158)
	<u>608,934</u>	<u>(121,158)</u>
	=====	=====

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1995		1994	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and capital allowances	730,092	1,000,422	469,356	967,444
Other timing differences	(121,158)	-	-	-
	<u>608,934</u>	<u>1,000,422</u>	<u>469,356</u>	<u>967,444</u>
	=====	=====	=====	=====

The tax liability which would arise on disposal of the freehold properties at their book values is not quantified as it is anticipated that roll-over relief would postpone any such liability indefinitely.

Macdonald Hotels Limited

Notes (continued)

16 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
826,667 Ordinary shares of £1 each	826,667	826,667
500,000 10% Cumulative redeemable preference shares of £1 each	500,000	500,000
	<u>1,326,667</u>	<u>1,326,667</u>
	=====	=====
<i>Allotted, called up and fully paid</i>		
500,000 Ordinary shares of £1 each	500,000	500,000
500,000 10% Cumulative redeemable preference shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
	=====	=====

Options to subscribe for ordinary shares of £1 each are detailed in the directors' report.

The cumulative preference shares are redeemable at par in equal annual instalments between 31 October 1995 and 31 October 1999. The company also has an option to redeem the cumulative preference shares at any time. These shares have no voting rights.

There are outstanding warrants to subscribe for 24,800 ordinary shares in the company at £1.00 per share and 181,867 ordinary shares at £12.85 per share.

17 Reserves

Group

	Capital reserve £	Revaluation reserve £	Profit and loss account £
At 26 March 1994	24,261	6,277,323	2,909,382
Retained profit for year	-	-	2,490,983
	<u>24,261</u>	<u>6,277,323</u>	<u>5,400,365</u>
	=====	=====	=====

Macdonald Hotels Limited

Notes (continued)

17 Reserves (continued)

Company

Profit and loss account

	£
At 27 March 1994	1,968,617
Retained profit for year	2,118,450
	<hr/>
At 26 March 1995	4,087,067
	<hr/> <hr/>

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Profit/(loss) for the financial year	2,540,983	1,938,691	2,168,450	1,212,657
Dividends	50,000	50,000	50,000	50,000
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	2,490,983	1,888,691	2,118,450	1,162,657
Opening shareholders' funds	10,210,966	8,322,275	2,968,617	1,805,960
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	12,701,949	10,210,966	5,087,067	2,968,617
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Capital commitments

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Authorised and contracted	1,989,700	304,349	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Authorised but not contracted	10,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Macdonald Hotels Limited

Notes (continued)

20 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
<i>Plant and equipment</i>				
Operating leases which expire:				
Within one year	10,101	-	-	-
Between two and five years	54,106	3,092	-	-
Over five years	8,133	-	-	-
<i>Property</i>				
Operating leases which expire:				
Within one year	9,977	-	-	-
	<u>82,317</u>	<u>3,092</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

21 Contingent liabilities

The company has entered into a joint and several guarantee with group members in respect of bank and other borrowings. The company's liability in respect of this indebtedness at 26 March 1995 amounted to £3,076,406 (1994 - £833,543). The maximum liability is £32,500,000 (1994 - £32,500,000).

22 Pension Scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £105,597 (1994 - £47,512).

Contributions totalling £17,840 (1994 - £nil) were outstanding at the year end and are included in creditors.

Macdonald Hotels Limited

Notes (continued)

23 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Operating profit	5,992,214	3,712,940
Depreciation charges	661,195	442,257
Gain on sale of fixed assets	(6,590)	(4,691)
Increase in stock	(6,315)	(191,202)
Increase in debtors	(563,250)	(1,557,673)
Increase in creditors	960,091	2,183,170
Net cash inflow from operating activities	7,037,345	4,584,801

24 Analysis of changes in cash and cash equivalents

	Cash at bank and in hand £	Overdraft £	Net £
Balance at 31 March 1993	31,656	(7,380,929)	(7,349,273)
Net cash inflow	1,940,339	6,032,491	7,972,830
Balance at 27 March 1994	1,971,995	(1,348,438)	623,557
Net cash inflow/(outflow)	4,580,924	(1,763,940)	2,816,984
Balance at 26 March 1995	6,552,919	(3,112,378)	3,440,541