

**Macdonald Hotels and Resorts Limited**

Directors' report and financial statements

Registered number SC125204

30 September 2004



## 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 SS Christie PJ Dempsey (resigned 18 June 2004) JA Lerche ADM MacDonald (resigned 4 November 2004) JAM Orr (resigned 4 November 2004) R Pajares
Secretary	RG Fraser
Auditors	KPMG LLP 191 West George Street Glasgow G2 2LJ
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 30 September 2004.

### 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.

On 3 September 2003 the company was acquired by Macdonald Hotels Limited. Following the acquisition the company was re-registered as a private company and changed its name from Macdonald Hotels plc to Macdonald Hotels Limited and subsequently to Macdonald Hotels and Resorts Limited.

The directors recommend that a dividend of £Nil (2003: £1,548,000) be paid.

### Directors and directors' interests

The directors who held office at the date of this report 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 Macdonald Hotels Limited are disclosed in the accounts of that company.

JG Busby and JA Lerche are not a directors of the parent company, Macdonald Hotels Limited, At the beginning and end of the period they each held 220,000 shares in that company.

### 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

26 May 2005

Whiteside House  
Bathgate  
West Lothian  
EH48 2RX

## 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

191 West George Street  
Glasgow  
G2 2LJ  
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 13.

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 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

~~KPMG LLP~~  
Chartered Accountants  
Registered Auditor

12 July 2005

**Profit and loss account**  
*for the year ended 30 September 2004*

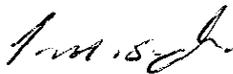
	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
<b>Turnover</b>	<i>1</i>	-	-
Cost of sales		(3,326)	(9,372)
		<hr/>	<hr/>
<b>Gross loss</b>		(3,326)	(9,372)
Administrative expenses		-	(400)
		<hr/>	<hr/>
<b>Operating loss</b>	<i>2-4</i>	(3,326)	(9,772)
Interest payable		-	(4,283)
Interest received		150	2,454
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(3,176)	(11,601)
Tax on loss on ordinary activities	<i>5</i>	6,009	(1,544)
		<hr/>	<hr/>
<b>Profit/(loss) for the period attributable to shareholders</b>		2,833	(13,145)
Dividends – equity	<i>6</i>	-	(1,548)
		<hr/>	<hr/>
<b>Profit/(loss) for the financial year</b>		<b>2,833</b>	<b>(14,693)</b>
		<hr/> <hr/>	<hr/> <hr/>

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

**Balance sheet**  
*at 30 September 2004*

	Note	2004 £000	£000	2003 £000	£000
<b>Fixed assets</b>					
Tangible assets	7		-		3
<b>Investments</b>					
Share of net assets of associates		1,648		1,648	
Other investments		8,984		20,686	
Total investments	8		10,632		22,334
<b>Current assets</b>					
Debtors	9	60,796		109,876	
Creditors: amounts falling due within one year	10	60,796 (17,850)		109,876 (81,534)	
Net current assets			42,946		28,342
<b>Total assets less current liabilities</b>			53,578		50,679
Provisions for liabilities and charges	11		-		66
Net assets			53,578		50,745
<b>Capital and reserves</b>					
Called up share capital	12		3,169		3,169
Share premium account	13		32,606		32,606
Profit and loss account	13		17,803		14,970
			53,578		50,745

These financial statements were approved by the board of directors on 26 May 2005 and were signed on its behalf by:



SS Christie  
 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).

#### *Fixed assets and depreciation*

Depreciation is provided to write the assets down to their estimated residual value by equal instalments over their estimated useful economic lives as follows:

Land	Not depreciated
Office premises	50 years
Furniture, fittings and fixtures	4-10 years
Motor vehicles	4 years

#### *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 Operating loss on ordinary activities before taxation

	2004 £000	2003 £000
<i>Operating loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation	-	3
	<u>          </u>	<u>          </u>

The audit fee for the year has been charged to the company's parent company.

Notes (continued)

3 Staff numbers and costs

	2004	2003
Average number of employees	2	10

4 Remuneration of directors

	2004	2003
Directors' emoluments	-	1,273
Amounts receivable under long term incentive schemes crystallising following the acquisition by Macdonald Hotels Limited	-	2,157
Company contributions to money purchase schemes	-	3,430
Excess retirement benefits over original entitlement	-	141
Amounts paid to third parties in respect of directors' services	-	84
	-	3,937

The aggregate emoluments and amounts received under long term incentive schemes of the highest paid director was £Nil (2003: £479,000) and £Nil (2003: £788,000) respectively, and company pension contributions of £Nil (2003: £29,000) were made to a money purchase scheme on his behalf.

In 2003/4, none of the directors received any remuneration from the company.

Retirement benefits are accruing to the following number of directors under:

	2004	2003
Money purchase schemes	-	5
The number of directors who exercised share options was	-	5
The number of directors in respect of whose services shares were received or receivable under long term incentive scheme was	-	5

**Notes** *(continued)*

**5 Taxation**

The taxation charge/(credit) comprises:

	2004 £000	2003 £000
<i>Current tax</i>		
Current year	(956)	1,536
Prior year	(483)	-
Prior year tax charge re-allocated to subsidiary undertakings	(4,635)	-
	<hr/>	<hr/>
Total current tax (credit) / charge	(6,074)	1,536
	<hr/>	<hr/>
<i>Deferred tax</i>		
Current year	65	12
Prior year	-	(4)
	<hr/>	<hr/>
Total deferred tax charge	65	8
	<hr/>	<hr/>
Total tax (credit)/charge	(6,009)	1,544
	<hr/> <hr/>	<hr/> <hr/>

*Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2003 : higher) than the standard rate of corporation tax in the UK (30%, 2003 : 30%). The differences are explained below.

	2004 £000	2003 £000
Loss on ordinary activities before tax	4,094	11,601
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard UK corporation tax 30% (2003: 30%)	(1,228)	(3,480)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	275	484
Adjustment in respect of prior periods	(483)	(4)
Tax of other group companies	(4,635)	4,545
Other differences	(3)	(9)
	<hr/>	<hr/>
Current tax charge for year	(6,074)	1,536
	<hr/> <hr/>	<hr/> <hr/>

**6 Dividends**

	2004 £000	2003 £000
Interim dividend of 2.62p per share paid	-	1,548
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

7 Tangible fixed assets

	Vehicles, fittings and fixtures £000
<i>Cost</i>	
At 2 October 2003	54
Transfers to other group companies	(54)
	<hr/>
At 30 September 2004	-
	<hr/>
<i>Depreciation</i>	
At 2 October 2003	51
Transfers to other group companies	(51)
	<hr/>
At 30 September 2004	-
	<hr/>
<i>Net book value</i>	
At 30 September 2004	-
	<hr/> <hr/>
At 2 October 2003	3
	<hr/> <hr/>

8 Fixed asset investments

	Subsidiary shares £000	Joint ventures £000	Associates Shares £000	Loans £000	Trade investments £000	Total £000
<i>Cost</i>						
At 3 October 2003	19,899	-	155	1,493	787	22,334
Additions	-	750	-	-	300	1,050
Transfers to group companies	(12,752)	-	-	-	-	(12,752)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	7,147	750	155	1,493	1,087	10,632
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**8 Fixed assets investments** (continued)

At 30 September 2004 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.

**9 Debtors**

	2004 £000	2003 £000
Trade debtors	-	163
Other debtors and prepayments	50	326
Amounts due from joint ventures	64	330
Amounts due from group undertakings	58,838	105,754
Corporation tax	1,844	3,303
	<hr/>	<hr/>
	<b>60,796</b>	<b>109,876</b>
	<hr/> <hr/>	<hr/> <hr/>

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

**10 Creditors: amounts falling due within one year**

	2004 £000	2003 £000
Bank overdraft	16,199	21,615
Amounts owed to parent undertaking	-	52,112
Other creditors including taxation and social security	-	1,133
Accruals and deferred income	619	5,172
Other creditors	1,032	1,502
	<hr/>	<hr/>
	<b>17,850</b>	<b>81,534</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**11 Deferred taxation**

	<b>2004</b>	2003
	<b>£000</b>	£000
At 2 October 2003	(66)	(66)
Charge for year	66	-
	<hr/>	<hr/>
At 30 September 2004	-	(66)
	<hr/> <hr/>	<hr/> <hr/>
	<b>2004</b>	2003
	<b>£000</b>	£000
Difference between accumulated depreciation and capital allowances	-	(4)
Other timing differences	-	(62)
	<hr/>	<hr/>
	-	(66)
	<hr/> <hr/>	<hr/> <hr/>

**12 Called up share capital**

	<b>2004</b>	2003
	<b>£000</b>	£000
<i>Authorised</i>		
78,000,000 ordinary shares of 5p each	3,900	3,900
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
At start of year – 63,370,864 ordinary shares of 5p each	3,169	3,014
Allotted during year	-	155
	<hr/>	<hr/>
	3,169	3,169
	<hr/> <hr/>	<hr/> <hr/>

**13 Reserves**

	<b>2004</b>	2003
	<b>£000</b>	£000
<i>Share premium</i>		
At 2 October 2003	32,606	27,613
Premium on shares issued in period	-	4,993
	<hr/>	<hr/>
At 30 September 2004	32,606	32,606
	<hr/> <hr/>	<hr/> <hr/>
<i>Profit and loss account</i>		
At 2 October 2003	14,970	29,663
Profit/(loss) for the period	2,833	(13,145)
Dividends paid	-	(1,548)
	<hr/>	<hr/>
At 30 September 2004	17,803	14,970
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**14 Reconciliation of movements in shareholders' funds**

	2004 £000	2003 £000
Profit/(loss) attributable to shareholders	2,833	(13,145)
Dividends paid	-	(1,548)
Share issue	-	5,148
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	2,833	(9,545)
Opening shareholders' funds	50,745	60,290
	<hr/>	<hr/>
Closing shareholders' funds	<u>53,578</u>	<u>50,745</u>

**15 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 30 September 2004 amounted to £441 million (2003: £472 million).

The company also has an obligation under the group VAT registration amounting at 30 September 2004 to £4 million (2003: £Nil).

**16 Related parties**

During the year the company received £43,000 (2003: £40,000) 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 £nil (2003: £nil)

The company received £nil (2003: £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 (2003: £nil)

The company received £47,000 (2003: £nil) 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 £47,000 (2003: £nil)

**17 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.