

Callers-Linden Holdings Limited

Directors' report and financial statements

Registered number 03083842

27 September 2007

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Company information

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

Secretary RG Fraser

Auditors KPMG LLP
 Saltire Court
 20 Castle Terrace
 Edinburgh
 EH1 2EG

Registered office 1 St Pauls Churchyard
 London
 EC4M 8SH

Directors' report

The directors present their annual report and the audited financial statements for the year ended 27 September 2007

Principal activity

The principal activity of the company is the owning and operating of hotels in the UK

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 do not recommend payment of a dividend (2006 £Nil)

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

On behalf of the board



RG Fraser
Secretary

One St Paul's Churchyard
London
EC4M 8SH

16 July 2008

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

Independent auditors' report to the members of Callers-Linden Holdings Limited

We have audited the financial statements of Callers-Linden Holdings Limited for the year ended 27 September 2007 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. 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 27 September 2007 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

16 July 2008

Profit and loss account
for the year ended 27 September 2007

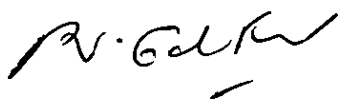
	<i>Note</i>	2007 £000	2006 £000
Turnover		3,735	3,541
Cost of sales		(3,458)	(3,138)
Gross profit		277	403
Administrative expenses		(93)	(108)
Operating profit		184	295
Interest payable and similar charges	5	(7)	-
Bank interest receivable		-	105
Profit on ordinary activities before taxation	2	177	400
Tax on profit on ordinary activities	4	176	(120)
Profit for the financial year	12	353	280

The company's results were derived wholly from continuing operations

Balance sheet
at 27 September 2007

	<i>Note</i>	2007 £000	2006 £000
Fixed assets			
Tangible assets	6	7,845	8,050
Current assets			
Stocks	7	72	79
Debtors	8	116	104
Cash at bank and in hand		11	2
		<u>199</u>	<u>185</u>
Creditors amounts falling due within one year	9	<u>(623)</u>	<u>(866)</u>
Net current liabilities		(424)	(681)
Total assets less current liabilities		7,421	7,369
Provisions for liabilities and charges	10	(54)	(355)
Net assets		7,367	7,014
Capital and reserves			
Called up share capital	11	500	500
Share premium account		5,439	5,439
Profit and loss account	12	1,428	1,075
Shareholders' funds	13	7,367	7,014

These financial statements were approved by the board of directors on 16 July 2008 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 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 undertaking 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)

As the company has net current liabilities it has obtained confirmation from its parent company, Macdonald Hotels Limited, that they will continue to provide such funding necessary to ensure the company meets its obligations as and when they fall due

Turnover

Turnover represents the amounts receivable for goods sold and services provided, excluding VAT and similar sales taxes. All the company's turnover arises in the United Kingdom

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown as a creditor

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the period of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value

Fixed assets and depreciation

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

Land	- not depreciated
Freehold hotel properties	- 50 years
Fixed plant	- 20 years
Furniture, fittings and equipment	- 4-10 years
Motor vehicles	- 4 years

Any impairment in the value of hotel property is charged to the profit and loss account or statement of total recognised gains or losses, as appropriate in the financial year to which it relates

Interest

Interest charges incurred in the acquisition, construction or redevelopment of trading units are capitalised up to the point of practical completion. All other interest is charged to the profit and loss account as incurred

Taxation

The charge for taxation is based on the profits for the year. Deferred tax is recognised, without discounting, for all material timing differences in respect of treatment of certain items for taxation and accounting purposes, except as otherwise required by FRS 19

Notes (continued)

2 Profit on ordinary activities before taxation

	2007 £000	2006 £000
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Profit on ordinary activities before taxation is stated after charging

Depreciation	381	239
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	2007 £000	2006 £000
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Auditors remuneration

Amounts receivable by the auditors and their associates in respect of
 Audit of these financial statements

2	2
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Auditors' remuneration is borne by the company's holding company

3 Employees

The company has no employees other than the directors. The directors received no remuneration for services to the company in the current or preceding year. Services are provided by a related party, Macdonald Hotels Limited.

4 Taxation

The tax charge comprises

	2007 £000	2006 £000
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Current tax

- current year	125	152
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Total current tax charge	125	152
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Deferred tax

- current year origination and reversal of timing differences	(71)	(30)
- removal of industrial buildings allowances	(225)	-
- change in tax rate	(5)	-
- prior year	-	(2)

Total deferred tax	(301)	(32)
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Total tax on profit on ordinary activities	(176)	120
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Notes (continued)

4 Taxation (continued)

The current year tax charge is higher (2006 higher) than the standard rate in the UK of 30%. The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	177	400
Tax on profit on ordinary activities at standard UK corporation tax at 30%	53	120
<i>Effects of</i>		
Capital allowances less than depreciation	73	30
Other timing differences	(1)	2
Current tax charge for year	125	152

5 Net interest payable

	2007 £000	2006 £000
Interest payable to group undertakings	7	-

6 Tangible fixed assets

	Freehold land and buildings £000	Fixed plant £000	Vehicles, fixtures and fittings £000	Projects in progress £000	Total £000
Cost					
At beginning of year	6,026	209	3,479	21	9,735
Additions	-	5	109	63	177
Transfers	(3)	55	14	(66)	-
Disposal	-	-	(62)	-	(62)
At end of year	6,023	269	3,540	18	9,850
Depreciation					
At beginning of year	358	7	1,320	-	1,685
Charge for year	12	13	357	-	382
Disposal	-	-	(62)	-	(62)
At end of year	370	20	1,615	-	2,005
Net book value					
At 27 September 2007	5,653	249	1,925	18	7,845
At 29 September 2006	5,668	202	2,159	21	8,050

The cost of land and buildings includes £4,280,000 (2006 £4,280,000) of land which is not depreciated

Notes (continued)

7 Stocks

	2007 £000	2006 £000
Goods for resale	72	79

8 Debtors

	2007 £000	2006 £000
Trade debtors	73	77
Other debtors and prepayments	43	27
	<u>116</u>	<u>104</u>

9 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	223	174
Amounts owed to group undertaking	61	243
Group relief payable	125	-
Other taxes and social security	-	233
Other creditors	58	78
Accruals and deferred income	156	138
	<u>623</u>	<u>866</u>

10 Deferred taxation

	Short term timing differences £000	Accelerated capital allowances £000	Total £000
At beginning of year	(1)	356	355
Credit for year	1	(73)	(71)
Removal of industrial buildings allowances	-	(224)	(225)
Change in tax rate to 28%	-	(5)	(5)
	<u>-</u>	<u>54</u>	<u>54</u>
At end of year	-	54	54

11 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<i>Issued, allotted and fully paid</i>		
500,298 ordinary shares of £1 each	500	500

Notes (continued)

12 Profit and loss account

	£000
At beginning of year	1,075
Profit for the financial year	353
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At end of year	1,428
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13 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Opening shareholders' funds	7,014	6,734
Profit for the financial year	353	280
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Closing shareholders' funds	7,367	7,014
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14 Contingent liabilities

The company is party to joint and several guarantees with other members of the group headed by Macdonald Hotels Limited in respect of bank borrowings. The company's liability in respect of these guarantees at 27 September 2007 amounted to £296 million (2006 £577 million).

The company also has an obligation under the group VAT registration amounting at 27 September 2007 to £1.3 million (2006 £4 million).

15 Ultimate parent undertaking

The company's ultimate parent undertaking is Macdonald Hotels Limited which is incorporated in Great Britain. Copies of the consolidated financial statements of this company can be obtained from Whiteside House, Bathgate, West Lothian, EH48 2RX.

The largest and smallest group in which the company's accounts are consolidated is headed by MacDonald Hotels Limited.