

MCMILLAN HOTELS LIMITED

**DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006**

Company Registration No. SCO73544(Scotland)



MCMILLAN HOTELS LIMITED

DIRECTORS AND ADVISERS

Directors	Hamilton C. McMillan Janet D. McMillan Douglas D. McMillan
Secretary	Graham Cowan
Company number	SCO73544
Registered office	North West Castle Hotel Stranraer Wigtownshire DG9 8EH
Registered auditors	William Duncan & Co. 30 Miller Road Ayr KA7 2AY
Business address	North West Castle Hotel Stranraer Wigtownshire DG9 8EH
Bankers	Bank of Scotland Carlisle Business Centre 5 Wavell Drive Carlisle CA1 2ST
Solicitors	Lockharts 12 Beresford Terrace Ayr KA7 2EG

MCMILLAN HOTELS LIMITED

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MCMILLAN HOTELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2006

The directors present their report and financial statements for the year ended 31 May 2006.

Directors

The following directors have held office since 1 June 2005:

Hamilton C. McMillan

Janet D. McMillan

Douglas D. McMillan

Principal activities and review of the business

The principal activity of the company continued to be that of hoteliers.

The results for the year include a full year's trading for Peebles Hydro and the Park Hotel, with Peebles Hotel Hydropathic Limited having been acquired in November 2004. The directors consider the results for the year to be satisfactory and expect a continuation of profitable trading in a competitive market.

Results and dividends

The consolidated profit and loss account for the year is set out on pages 5 to 6.

An interim ordinary dividend of £25,055 was paid during the year. The directors do not recommend payment of a final dividend.

Post balance sheet events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company.

Directors' interests

The directors' interests in the shares of the company and in the subsidiary were as stated below:

McMillan Hotels Limited

	Ordinary shares of £1 each	
	31 May 2006	1 June 2005
Hamilton C McMillan	499	499
Janet D McMillan	-	-
Douglas D McMillan	167	167

	'A' Ordinary shares of £1 each	
	31 May 2006	1 June 2005
Hamilton C McMillan	-	-
Janet D McMillan	-	-
Douglas D McMillan	-	-

Peebles Hotel Hydropathic Limited

	Ordinary shares of 50p each	
	31 May 2006	1 June 2005
Hamilton C McMillan	-	-
Janet D McMillan	-	-
Douglas D McMillan	-	-

MCMILLAN HOTELS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

Taxation status

The company was a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that William Duncan & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 group and of the profit or loss of the group 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 group will continue in business.

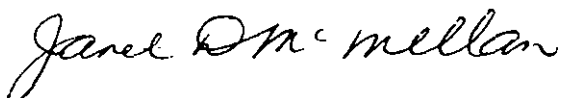
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to the auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Janet D. McMillan

Director

21 September 2006

MCMILLAN HOTELS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MCMILLAN HOTELS LIMITED

We have audited the financial statements of McMillan Hotels Limited for the year ended 31 May 2006 set out on pages 5 to 24. 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 auditors' 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 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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, and 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and 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.

MCMILLAN HOTELS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MCMILLAN HOTELS LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 May 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



William Duncan & Co.

21 September 2006

Chartered Accountants
Registered Auditor

30 Miller Road
Ayr
KA7 2AY

MCMILLAN HOTELS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2006

	Notes	2006 £	2005 £
Turnover	2	11,805,697	8,732,491
Cost of sales		(1,959,457)	(1,554,297)
Gross profit		9,846,240	7,178,194
Administrative expenses		(8,582,939)	(6,518,236)
Other operating income		35,996	44,608
Operating profit	3	1,299,297	704,566
Investment income	4	2,619	6,493
Amounts written off investments	5	-	(25,123)
Interest payable and similar charges	6	(695,364)	(462,220)
Profit on ordinary activities before taxation		606,552	223,716
Tax on profit on ordinary activities	7	(242,759)	(73,338)
Profit on ordinary activities after taxation		363,793	150,378
Dividends	9	(25,055)	(75,164)
Retained profit for the year	21	338,738	75,214

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

MCMILLAN HOTELS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

Note of historical cost profits and losses

	2006	2005
	£	£
Reported profit on ordinary activities before taxation	606,552	223,716
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	(82,945)	82,871
Historical cost profit on ordinary activities before taxation	<u>523,607</u>	<u>306,587</u>
Historical cost profit/(loss) for the year retained after taxation, extraordinary items and dividends	<u>255,793</u>	<u>158,085</u>

MCMILLAN HOTELS LIMITED

BALANCE SHEETS AS AT 31 MAY 2006

		Group		Company	
	Notes	2006	2005	2006	2005
		£	£	£	£
Fixed assets					
Intangible assets	10	(495,561)	(521,012)	10,000	12,000
Tangible assets	11	23,597,391	24,022,638	12,636,147	12,916,714
Investments	12	-	-	14,978,688	14,978,688
		<u>23,101,830</u>	<u>23,501,626</u>	<u>27,624,835</u>	<u>27,907,402</u>
Current assets					
Stocks	13	139,502	154,199	52,931	52,931
Debtors	14	503,701	612,380	322,574	333,160
Cash at bank and in hand		16,799	395,511	4,207	2,290
		<u>660,002</u>	<u>1,162,090</u>	<u>379,712</u>	<u>388,381</u>
Creditors: amounts falling due within one year	15	<u>(3,331,368)</u>	<u>(3,100,471)</u>	<u>(8,023,510)</u>	<u>(6,802,740)</u>
Net current liabilities		<u>(2,671,366)</u>	<u>(1,938,381)</u>	<u>(7,643,798)</u>	<u>(6,414,359)</u>
Total assets less current liabilities		<u>20,430,464</u>	<u>21,563,245</u>	<u>19,981,037</u>	<u>21,493,043</u>
Creditors: amounts falling due after more than one year	16	<u>(9,530,000)</u>	<u>(10,995,000)</u>	<u>(9,530,000)</u>	<u>(10,995,000)</u>
Provisions for liabilities	17	<u>(444,689)</u>	<u>(431,389)</u>	<u>(344,065)</u>	<u>(344,065)</u>
Accruals and deferred income	18	<u>(179,433)</u>	<u>(199,253)</u>	<u>(167,433)</u>	<u>(171,253)</u>
		<u>10,276,342</u>	<u>9,937,603</u>	<u>9,939,539</u>	<u>9,982,725</u>
Capital and reserves					
Called up share capital	20	459,200	459,200	459,200	459,200
Revaluation reserve	21	6,223,500	6,306,445	6,223,500	6,306,445
Profit and loss account	21	3,593,642	3,171,958	3,256,839	3,217,080
Shareholders' funds	22	<u>10,276,342</u>	<u>9,937,603</u>	<u>9,939,539</u>	<u>9,982,725</u>

Approved by the Board and authorised for issue on 21 September 2006


Hamilton C. McMillan
Director

MCMILLAN HOTELS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2006

	2006	2005
	£	£
Net cash inflow from operating activities	2,233,750	1,359,737
Returns on investments and servicing of finance		
Interest received	2,619	6,493
Interest paid	(695,364)	(462,220)
Net cash outflow for returns on investments and servicing of finance	(692,745)	(455,727)
Taxation	(384,391)	(436,026)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(285,086)	(301,489)
Receipts from sales of tangible assets	22,625	21,500
Receipts from sales of investments	-	286,276
Net cash (outflow)/inflow for capital expenditure	(262,461)	6,287
Acquisitions and disposals		
Purchase of subsidiary undertakings (net of cash acquired)	-	(9,684,762)
Net cash outflow for acquisitions and disposals	-	(9,684,762)
Equity dividends paid	(25,055)	(75,164)
Net cash inflow/(outflow) before management of liquid resources and financing	869,098	(9,285,655)
Financing		
New long term bank loan	-	11,500,000
Repayment of long term bank loan	(1,075,000)	(1,795,102)
Net cash (outflow)/inflow from financing	(1,075,000)	9,704,898
(Decrease)/increase in cash in the year	(205,902)	419,243

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2006

1	Reconciliation of operating profit to net cash inflow from operating activities	2006	2005
		£	£
	Operating profit	1,299,297	704,566
	Depreciation of tangible assets	681,988	542,866
	Amortisation of intangible assets	(25,451)	(14,013)
	Loss on disposal of tangible assets	5,721	30,599
	Decrease/(increase) in stocks	14,697	14,281
	Decrease/(increase) in debtors	108,679	(39,591)
	Increase in creditors within one year	168,639	133,673
	Movement on grant provision	(19,820)	(12,642)
	Net cash inflow from operating activities	2,233,750	1,359,737

2	Analysis of net debt	1 June 2005	Cash flow	Other non-cash changes	31 May 2006
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	812,937	984,966	-	1,797,903
	Bank overdrafts	(741,302)	(1,190,868)	-	(1,932,170)
		<u>71,635</u>	<u>(205,902)</u>	<u>-</u>	<u>(134,267)</u>
	Debts falling due within one year	(380,000)	(390,000)	-	(770,000)
	Debts falling due after one year	(10,995,000)	1,465,000	-	(9,530,000)
		<u>(11,375,000)</u>	<u>1,075,000</u>	<u>-</u>	<u>(10,300,000)</u>
	Net debt	(11,303,365)	869,098	-	(10,434,267)

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	(Decrease)/increase in cash in the year	(205,902)	419,243
	Cash outflow/(inflow) from decrease/(increase) in debt	1,075,000	(9,704,898)
	Movement in net debt in the year	869,098	(9,285,655)
	Opening net debt	(11,303,365)	(2,017,710)
	Closing net debt	(10,434,267)	(11,303,365)

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 May 2006. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.3 Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

1.4 Goodwill

Acquired goodwill, positive or negative, is written off in equal annual instalments over 20 years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Straight line over 50 years
Plant, machinery, fixtures and fittings	15% reducing balance
Motor vehicles	25% reducing balance

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.9 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

1 Accounting policies

(continued)

1.11 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

2006
£

2005
£

Operating profit is stated after charging:

Depreciation of intangible assets (25,451) (14,013)

Depreciation of tangible assets 681,988 542,866

Loss on disposal of tangible assets 5,721 30,599

Operating lease rentals

- Plant and machinery 1,740 731

Auditors' remuneration (company £17,000; 2005: £15,000) 32,000 20,000

and after crediting:

Government grants 19,820 12,642

4 Investment income

2006
£

2005
£

Bank interest received and receivable 2,619 6,493

5 Amounts written off investments

2006
£

2005
£

Amounts written off fixed asset investments:

- gain / (loss) on sale of investments - 25,123

6 Interest payable

2006
£

2005
£

On bank loans and overdrafts 688,873 460,281

Other interest 6,491 1,939

695,364 462,220

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

7	Taxation	2006 £	2005 £
	Domestic current year tax		
	U.K. corporation tax	229,459	65,211
	Current tax charge	229,459	65,211
	Deferred tax		
	Deferred tax charge credit current year	13,300	8,127
		242,759	73,338
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	606,552	223,716
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	181,966	67,115
	Effects of:		
	Non deductible expenses	(422)	32,297
	Depreciation add back	156,045	159,820
	Capital allowances	(106,728)	(137,799)
	Other tax adjustments	(1,402)	(56,222)
		47,493	(1,904)
	Current tax charge	229,459	65,211

8 (Loss)/profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The (loss)/profit for the financial year is made up as follows:

	2006 £	2005 £
Holding company's (loss)/profit for the financial year	(18,131)	195,498
9 Dividends	2006 £	2005 £
Ordinary interim paid	25,055	75,164

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

10 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 June 2005 & at 31 May 2006	58,000
Amortisation	
At 1 June 2005	46,000
Charge for the year	2,000
At 31 May 2006	48,000
Net book value	
At 31 May 2006	10,000
At 31 May 2005	12,000
	Negative Goodwill £
Cost	
At 1 June 2005 & at 31 May 2006	(549,025)
Amortisation	
At 1 June 2005	(16,013)
Charge for the year	(27,451)
At 31 May 2006	(43,464)
Net book value	
At 31 May 2006	(505,561)
At 31 May 2005	(533,012)

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

10 Intangible fixed assets	(continued)
Company	
	Goodwill
	£
Cost	
At 1 June 2005 & at 31 May 2006	58,000
	<hr/>
Amortisation	
At 1 June 2005	46,000
Charge for the year	2,000
	<hr/>
At 31 May 2006	48,000
	<hr/>
Net book value	
At 31 May 2006	10,000
	<hr/>
At 31 May 2005	12,000
	<hr/>

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

11 Tangible fixed assets

Group

	Land and buildings Freehold	Plant, machinery, fixtures and fittings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 June 2005	22,878,088	3,016,134	188,884	183,714	26,266,820
Additions	121,718	111,935	27,673	23,760	285,086
Disposals	-	(103,417)	-	(37,630)	(141,047)
At 31 May 2006	22,999,806	3,024,652	216,557	169,844	26,410,859
Depreciation					
At 1 June 2005	319,570	1,833,672	14,833	76,107	2,244,182
On disposals	-	(90,284)	-	(22,417)	(112,701)
Charge for the year	410,133	203,176	39,734	28,944	681,987
At 31 May 2006	729,703	1,946,564	54,567	82,634	2,813,468
Net book value					
At 31 May 2006	22,270,103	1,078,088	161,990	87,210	23,597,391
At 31 May 2005	22,558,518	1,182,462	174,051	107,607	24,022,638

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 June 2005	17,395,223
Additions	121,719
At 31 May 2006	17,516,942
Depreciation based on cost	
At 1 June 2005	782,510
Charge for the year	162,707
At 31 May 2006	945,217
Net book value	
At 31 May 2006	16,571,725
At 31 May 2005	16,612,713

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

11 Tangible fixed assets (continued) Company

	Land and buildings Freehold	Plant, machinery, fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 June 2005	12,028,088	2,778,119	182,662	14,988,869
Additions	11,974	82,008	23,760	117,742
Disposals	-	(103,417)	(37,630)	(141,047)
At 31 May 2006	12,040,062	2,756,710	168,792	14,965,564
Depreciation				
At 1 June 2005	192,988	1,803,169	75,998	2,072,155
On disposals	-	(90,284)	(22,417)	(112,701)
Charge for the year	193,133	148,122	28,708	369,963
At 31 May 2006	386,121	1,861,007	82,289	2,329,417
Net book value				
At 31 May 2006	11,653,941	895,703	86,503	12,636,147
At 31 May 2005	11,835,100	974,950	106,664	12,916,714

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 June 2005	6,545,223
Additions	11,974
At 31 May 2006	6,557,197
Depreciation based on cost	
At 1 June 2005	655,928
Charge for the year	110,357
At 31 May 2006	766,285
Net book value	
At 31 May 2006	5,790,912
At 31 May 2005	5,889,295

The freehold properties were valued at £22,850,000 in August 2004 by Messrs Christie & Co., Chartered Surveyors on the basis of open market value for current use.

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

12 Fixed asset investments

Company

Unlisted
investments
£

Cost or valuation

At 1 June 2005 & at 31 May 2006

14,978,688

At 31 May 2005

14,978,688

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Peebles Hotel Hydropathic Limited	Scotland	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Peebles Hotel Hydropathic Limited	Hotelier

13 Stocks

	Group 2006 £	2005 £	Company 2006 £	2005 £
Raw materials and consumables	139,502	154,199	52,931	52,931

The replacement cost of raw materials and consumables as at 31 May 2006 is not materially different from the balance sheet amounts.

14 Debtors

	Group 2006 £	2005 £	Company 2006 £	2005 £
Trade debtors	201,791	317,338	74,852	78,834
Other debtors	40,807	32,141	32,141	32,141
Prepayments and accrued income	261,103	262,901	215,581	222,185
	503,701	612,380	322,574	333,160

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

15 Creditors : amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	921,066	703,876	2,702,170	1,121,302
Payments received on account	281,602	346,558	155,076	180,466
Trade creditors	511,775	538,483	366,187	382,534
Amounts owed to group undertakings	-	-	4,122,737	4,517,794
Corporation tax	229,459	384,391	19,434	27,138
Taxes and social security costs	481,045	271,200	262,409	213,062
Directors current accounts	4,828	7,746	4,828	7,746
Other creditors	207,378	165,372	201,120	162,237
Accruals and deferred income	694,215	682,845	189,549	190,461
	<u>3,331,368</u>	<u>3,100,471</u>	<u>8,023,510</u>	<u>6,802,740</u>

The aggregate amount of creditors for which security has been given amounted to £921,066 (2005 - £703,876).

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

16 Creditors : amounts falling due after more than one year

	Group 2006 £	2005 £	Company 2006 £	2005 £
Bank loans	<u>9,530,000</u>	<u>10,995,000</u>	<u>9,530,000</u>	<u>10,995,000</u>
Analysis of loans				
Not wholly repayable within five years by instalments:				
	7,075,000	8,955,000	7,075,000	8,955,000
Wholly repayable within five years	<u>3,225,000</u>	<u>2,420,000</u>	<u>3,225,000</u>	<u>2,420,000</u>
	10,300,000	11,375,000	10,300,000	11,375,000
Included in current liabilities	<u>(770,000)</u>	<u>(380,000)</u>	<u>(770,000)</u>	<u>(380,000)</u>
	<u>9,530,000</u>	<u>10,995,000</u>	<u>9,530,000</u>	<u>10,995,000</u>
Instalments not due within five years	<u>7,075,000</u>	<u>8,955,000</u>	<u>7,075,000</u>	<u>8,955,000</u>
Loan maturity analysis				
In more than one year but not more than two years	770,000	510,000	770,000	510,000
In more than two years but not more than five years	1,685,000	1,530,000	1,685,000	1,530,000
In more than five years	<u>7,075,000</u>	<u>8,955,000</u>	<u>7,075,000</u>	<u>8,955,000</u>

The Bank of Scotland hold a bond and floating charge over the whole assets of the company and also holds standard securities over North West Castle Hotel, Stranraer, and, Cally Palace Hotel, Gatehouse-of-Fleet, in security of all the company's bank borrowings. The bank also hold a cross-guarantee with Peebles Hotel Hydropathic Limited.

The company had two term loans during the year. One loan is being repaid over 30 months with £625,000 having been outstanding at 31 May 2006. The second loan is being repaid in quarterly instalments of £130,000 with £9,675,000 having been outstanding at 31 May 2006. Interest is charged at 1.375% above the bank's base rate.

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

17 Provisions for liabilities and charges Group

	Deferred taxation £
Balance at 1 June 2005	431,389
Profit and loss account	13,300
Balance at 31 May 2006	<u>444,689</u>

Company

Balance at 1 June 2005 & at 31 May 2006	<u>344,065</u>
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	Group		Company
The deferred tax liability is made up as follows:			
	2006 £	2005 £	2006 £
Accelerated capital allowances	<u>444,689</u>	<u>431,389</u>	<u>344,065</u>

18 Accruals and deferred income

Group	Government grants £
Balance at 1 June 2005	199,253
Amortisation in the year	(19,820)
Balance at 31 May 2006	<u>179,433</u>

Company

Balance at 1 June 2005	171,253
Amortisation in the year	(3,820)
Balance at 31 May 2006	<u>167,433</u>

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

19 Pension costs

Defined contribution

	2006 £	2005 £
Contributions payable by the group for the year	42,531	77,946

20 Share capital

	2006 £	2005 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
499,000 'A' Ordinary shares of £1 each	499,000	499,000
	<u>500,000</u>	<u>500,000</u>
 Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
458,200 'A' Ordinary shares of £1 each	458,200	458,200
	<u>459,200</u>	<u>459,200</u>

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

21 Statement of movements on reserves Group

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2005	6,306,445	3,171,959
Profit for the year	-	363,793
Transfer from revaluation reserve to profit and loss account	(82,945)	82,945
Dividends paid	-	(25,055)
Balance at 31 May 2006	<u>6,223,500</u>	<u>3,593,642</u>

Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2005	6,306,445	3,217,080
Loss for the year	-	(18,131)
Transfer from revaluation reserve to profit and loss account	(82,945)	82,945
Dividends paid	-	(25,055)
Balance at 31 May 2006	<u>6,223,500</u>	<u>3,256,839</u>

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

22	Reconciliation of movements in shareholders' funds	2006	2005
	Group	£	£
	Profit for the financial year	363,793	150,378
	Dividends	(25,055)	(75,164)
	Net addition to shareholders' funds	338,738	75,214
	Opening shareholders' funds	9,937,603	9,862,389
	Closing shareholders' funds	10,276,342	9,937,603
		<u>2006</u>	<u>2005</u>
	Company	£	£
	(Loss)/Profit for the financial year	(18,131)	195,498
	Dividends	(25,055)	(75,164)
	Net (depletion in)/addition to shareholders' funds	(43,186)	120,334
	Opening shareholders' funds	9,982,725	9,862,391
	Closing shareholders' funds	9,939,539	9,982,725
		<u>2006</u>	<u>2005</u>
23	Directors' emoluments	£	£
	Emoluments for qualifying services	191,162	155,274
	Company pension contributions to money purchase schemes	-	8,333
		191,162	163,607

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2005- 1).

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2006

24 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2006 Number	2005 Number
Office and management	31	34
Others	384	384
	<u>415</u>	<u>418</u>

Employment costs

	2006 £	2005 £
Wages and salaries	4,482,216	3,335,064
Social security costs	340,120	254,853
Other pension costs	42,531	77,946
	<u>4,864,867</u>	<u>3,667,863</u>

25 Control

Control is by the board of directors.

26 Related party transactions

The company made purchases to the value of £169,774 from Andrew McMillan (Stranraer) Limited during the year. These transactions were at 'arms length'. That company is controlled by a trust, whereby Mr H C McMillan acts as a trustee and also as a director of the company. A balance of £18,467 was due to Andrew McMillan (Stranraer) Limited at 31st May 2006.