

**MCMILLAN HOTELS LIMITED**

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MAY 2007**

**Company Registration No. SC073544 (Scotland)**

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# MCMILLAN HOTELS LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	Hamilton C McMillan Janet D McMillan Douglas D McMillan
<b>Secretary</b>	Graham Cowan
<b>Company number</b>	SC073544
<b>Registered office</b>	North West Castle Hotel Stranraer Wigtownshire DG9 8EH
<b>Registered auditors</b>	William Duncan & Co 30 Miller Road Ayr KA7 2AY
<b>Business address</b>	North West Castle Hotel Stranraer Wigtownshire DG9 8EH
<b>Bankers</b>	Bank of Scotland Carlisle Business Centre 5 Wavell Drive Carlisle CA1 2ST
<b>Solicitors</b>	Lockharts 12 Beresford Terrace Ayr KA7 2EG

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# MCMILLAN HOTELS LIMITED

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# MCMILLAN HOTELS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MAY 2007

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The directors present their report and financial statements for the year ended 31 May 2007

#### Directors

The following directors have held office since 1 June 2006

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

All hotels within the group performed satisfactorily with group turnover showing an improvement and group profitability being maintained

The directors expect the group to show a continuation of the excellent results in the current financial year

#### Results and dividends

The consolidated profit and loss account for the year is set out on page 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 2007	1 June 2006
Hamilton C McMillan	499	499
Janet D McMillan		
Douglas D McMillan	167	167

	'A' Ordinary shares of £1 each	
	31 May 2007	1 June 2006
Hamilton C McMillan		
Janet D McMillan		
Douglas D McMillan		

##### Peebles Hotel Hydropathic Limited

	Ordinary shares of 50p each	
	31 May 2007	1 June 2006
Hamilton C McMillan		
Janet D McMillan		
Douglas D McMillan		

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# **MCMILLAN HOTELS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MAY 2007***

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### **Employee involvement**

The group's policy is to consult and discuss with employees matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

### **Disabled persons**

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### **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.

# MCMILLAN HOTELS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MAY 2007**

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### **Directors' responsibilities**

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 that 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 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**

27 September 2007

# **MCMILLAN HOTELS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF MCMILLAN HOTELS LIMITED**

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We have audited the financial statements of McMillan Hotels Limited for the year ended 31 May 2007 set out on pages 6 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 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

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#### Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 May 2007 and of the group's 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



William Duncan & Co

27 September 2007

Chartered Accountants

Registered Auditor

30 Miller Road  
Ayr  
KA7 2AY



# MCMILLAN HOTELS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2007

	Notes	2007 £	2006 £
Turnover	2	11,960,396	11,805,697
Cost of sales		(2,113,948)	(1,959,457)
<b>Gross profit</b>		9,846,448	9,846,240
Administrative expenses		(8,654,763)	(8,582,939)
Other operating income		45,292	35,996
<b>Operating profit</b>	3	1,236,977	1,299,297
Other interest receivable and similar income			2,619
Interest payable and similar charges	4	(655,917)	(695,364)
<b>Profit on ordinary activities before taxation</b>		581,060	606,552
Tax on profit on ordinary activities	5	(205,685)	(242,759)
<b>Profit on ordinary activities after taxation</b>		375,375	363,793

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

### Note of historical cost profits and losses

	2007 £	2006 £
<b>Reported profit on ordinary activities before taxation</b>	581,060	606,552
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	82,945	82,945
<b>Historical cost profit on ordinary activities before taxation</b>	664,005	689,497
<b>Historical cost profit for the year retained after taxation, extraordinary items and dividends</b>	433,265	421,683

# MCMILLAN HOTELS LIMITED

## BALANCE SHEETS AS AT 31 MAY 2007

	Notes	Group 2007 £	2006 £	Company 2007 £	2006 £
<b>Fixed assets</b>					
Intangible assets	8	(470,110)	(495,561)	8,000	10,000
Tangible assets	9	23,094,044	23,597,391	12,314,611	12,636,147
Investments	10			14,978,688	14,978,688
		<u>22,623,934</u>	<u>23,101,830</u>	<u>27,301,299</u>	<u>27,624,835</u>
<b>Current assets</b>					
Stocks	11	134,220	139,502	61,791	52,931
Debtors	12	703,417	503,701	308,115	322,574
Cash at bank and in hand		17,776	16,799	4,967	4,207
		<u>855,413</u>	<u>660,002</u>	<u>374,873</u>	<u>379,712</u>
<b>Creditors amounts falling due within one year</b>	13	<u>(3,501,362)</u>	<u>(3,331,368)</u>	<u>(8,477,492)</u>	<u>(8,023,510)</u>
<b>Net current liabilities</b>		<u>(2,645,949)</u>	<u>(2,671,366)</u>	<u>(8,102,619)</u>	<u>(7,643,798)</u>
<b>Total assets less current liabilities</b>		19,977,985	20,430,464	19,198,680	19,981,037
<b>Creditors amounts falling due after more than one year</b>	14	(8,760,000)	(9,530,000)	(8,760,000)	(9,530,000)
<b>Provisions for liabilities</b>	15	(427,710)	(444,689)	(309,861)	(344,065)
<b>Accruals and deferred income</b>	16	<u>(163,613)</u>	<u>(179,433)</u>	<u>(163,613)</u>	<u>(167,433)</u>
		<u>10,626,662</u>	<u>10,276,342</u>	<u>9,965,206</u>	<u>9,939,539</u>
<b>Capital and reserves</b>					
Called up share capital	18	459,200	459,200	459,200	459,200
Revaluation reserve	19	6,140,555	6,223,500	6,140,555	6,223,500
Profit and loss account	19	4,026,907	3,593,642	3,365,451	3,256,839
<b>Shareholders' funds</b>	20	<u>10,626,662</u>	<u>10,276,342</u>	<u>9,965,206</u>	<u>9,939,539</u>

Approved by the Board and authorised for issue on 27 September 2007

  
Hamilton C. McMillan  
Director

# MCMILLAN HOTELS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2007

	£	2007 £	£	2006 £
<b>Net cash inflow from operating activities</b>		1,814,868		2,233,750
<b>Returns on investments and servicing of finance</b>				
Interest received			2,619	
Interest paid	(655,917)		(695,364)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(655,917)		(692,745)
<b>Taxation</b>		(233,594)		(384,391)
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(145,851)		(285,086)	
Receipts from sales of tangible assets	349		22,625	
<b>Net cash outflow for capital expenditure</b>		(145,502)		(262,461)
<b>Equity dividends paid</b>		(25,055)		(25,055)
<b>Net cash inflow before management of liquid resources and financing</b>		754,800		869,098
<b>Financing</b>				
Repayment of long term bank loan	(770,000)		(1,075,000)	
<b>Net cash outflow from financing</b>		(770,000)		(1,075,000)
<b>Decrease in cash in the year</b>		(15,200)		(205,902)

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2007

1	Reconciliation of operating profit to net cash inflow from operating activities	2007	2006
		£	£
	Operating profit	1,236,977	1,299,297
	Depreciation of tangible assets	643,175	681,988
	Amortisation of intangible assets	(25,451)	(25,451)
	Loss on disposal of tangible assets	5,674	5,721
	Decrease in stocks	5,282	14,697
	(Increase)/decrease in debtors	(199,716)	89,722
	Increase in creditors within one year	164,747	187,596
	Movement on grant provision	(15,820)	(19,820)
	<b>Net cash inflow from operating activities</b>	<b>1,814,868</b>	<b>2,233,750</b>

2	Analysis of net debt	1 June 2006	Cash flow	Other non cash changes	31 May 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	1,797,903	(1,715,166)		82,737
	Bank overdrafts	(1,932,170)	1,699,966		(232,204)
		(134,267)	(15,200)		(149,467)
	Debts falling due within one year	(770,000)			(770,000)
	Debts falling due after one year	(9,530,000)	770,000		(8,760,000)
		(10,300,000)	770,000		(9,530,000)
	<b>Net debt</b>	<b>(10,434,267)</b>	<b>754,800</b>		<b>(9,679,467)</b>

3	Reconciliation of net cash flow to movement in net debt	2007	2006
		£	£
	Decrease in cash in the year	(15,200)	(205,902)
	Cash outflow from decrease in debt	770,000	1,075,000
	<b>Movement in net debt in the year</b>	<b>754,800</b>	<b>869,098</b>
	Opening net debt	(10,434,267)	(11,303,365)
	<b>Closing net debt</b>	<b>(9,679,467)</b>	<b>(10,434,267)</b>

# **MCMILLAN HOTELS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2007**

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### **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 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### **1.3 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 2007. 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.

#### **1.4 Turnover**

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

#### **1.5 Goodwill**

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

#### **1.6 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

#### **1.7 Leasing**

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

#### **1.8 Investments**

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

#### **1.9 Stocks**

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

#### **1.10 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.

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 1 Accounting policies

(continued)

#### 1 11 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.

#### 1 12 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

	2007 £	2006 £
Operating profit is stated after charging		
Depreciation of intangible assets	(25,451)	(25,451)
Depreciation of tangible assets	643,175	681,988
Loss on disposal of tangible assets	5,674	5,721
Operating lease rentals		
Plant and machinery	1,640	1,740
Auditors' remuneration (company £20,000, 2006 £17,000)	36,000	32,000
and after crediting		
Government grants	15,820	19,820

### 4 Interest payable

	2007 £	2006 £
On bank loans and overdrafts	653,733	688,873
Other interest	2,184	6,491
	655,917	695,364

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

<b>5</b>	<b>Taxation</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	218,529	229,459
	Adjustment for prior years	4,135	
		<hr/>	<hr/>
	<b>Current tax charge</b>	<b>222,664</b>	<b>229,459</b>
	<b>Deferred tax</b>		
	Deferred tax charge/(credit) current year	(16,979)	13,300
		<hr/>	<hr/>
		<b>205,685</b>	<b>242,759</b>
		<hr/>	<hr/>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	581,060	606,552
		<hr/>	<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 30.00%)	174,318	181,966
		<hr/>	<hr/>
	Effects of		
	Non deductible expenses	362	(422)
	Depreciation add back	185,317	156,045
	Capital allowances	(122,032)	(106,728)
	Adjustments to previous periods	4,135	
	Other tax adjustments	(19,436)	(1,402)
		<hr/>	<hr/>
		<b>48,346</b>	<b>47,493</b>
		<hr/>	<hr/>
	<b>Current tax charge</b>	<b>222,664</b>	<b>229,459</b>
		<hr/>	<hr/>
<b>6</b>	<b>Profit/(loss) for the financial year</b>		
	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 profit/(loss) for the financial year is made up as follows		
		<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Holding company's profit/(loss) for the financial year	50,722	(18,131)
		<hr/>	<hr/>
<b>7</b>	<b>Dividends</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
	Ordinary interim paid	25,055	25,055
		<hr/>	<hr/>

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

<b>8 Intangible fixed assets</b>	
<b>Group</b>	
	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 June 2006 & at 31 May 2007	58,000
<b>Amortisation</b>	
At 1 June 2006	48,000
Charge for the year	2,000
At 31 May 2007	50,000
<b>Net book value</b>	
At 31 May 2007	8,000
At 31 May 2006	10,000
	<b>Negative</b>
	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 June 2006 & at 31 May 2007	(549,025)
<b>Amortisation</b>	
At 1 June 2006	(43,464)
Charge for the year	(27,451)
At 31 May 2007	(70,915)
<b>Net book value</b>	
At 31 May 2007	(478,110)
At 31 May 2006	(505,561)



# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

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<b>8</b>	<b>Intangible fixed assets</b>	<b>(continued)</b>
	<b>Company</b>	
		<b>Goodwill</b>
		<b>£</b>
	<b>Cost</b>	
	At 1 June 2006 & at 31 May 2007	58,000
		<hr/>
	<b>Amortisation</b>	
	At 1 June 2006	48,000
	Charge for the year	2,000
		<hr/>
	At 31 May 2007	50,000
		<hr/>
	<b>Net book value</b>	
	At 31 May 2007	8,000
		<hr/>
	At 31 May 2006	10,000
		<hr/>

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 9 Tangible fixed assets Group

	Land and buildings Freehold	Plant, machinery, fixtures and fittings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 June 2006	22,999,806	3,024,652	216,557	169,844	26,410,859
Additions	56,363	58,761		30,727	145,851
Disposals		(71,521)		(25,711)	(97,232)
At 31 May 2007	23,056,169	3,011,892	216,557	174,860	26,459,478
<b>Depreciation</b>					
At 1 June 2006	729,703	1,946,564	54,567	82,634	2,813,468
On disposals		(70,356)		(20,853)	(91,209)
Charge for the year	412,274	182,114	25,512	23,275	643,175
At 31 May 2007	1,141,977	2,058,322	80,079	85,056	3,365,434
<b>Net book value</b>					
At 31 May 2007	21,914,192	953,570	136,478	89,804	23,094,044
At 31 May 2006	22,270,103	1,078,088	161,990	87,210	23,597,391

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

	£
<b>Cost</b>	
At 1 June 2006	17,516,942
Additions	56,363
At 31 May 2007	17,573,305
<b>Depreciation based on cost</b>	
At 1 June 2006	945,217
Charge for the year	163,834
At 31 May 2007	1,109,051
<b>Net book value</b>	
At 31 May 2007	16,464,254
At 31 May 2006	16,571,725

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 9 Tangible fixed assets (continued) Company

	Land and buildings Freehold	Plant, machinery, fixtures and fittings	Motor vehicles	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 June 2006	12,040,062	2,756,710	168,792	14,965,564
Additions		41,640	11,000	52,640
Disposals		(71,521)	(25,711)	(97,232)
At 31 May 2007	12,040,062	2,726,829	154,081	14,920,972
<b>Depreciation</b>				
At 1 June 2006	386,121	1,861,007	82,289	2,329,417
On disposals		(70,356)	(20,853)	(91,209)
Charge for the year	193,079	153,143	21,931	368,153
At 31 May 2007	579,200	1,943,794	83,367	2,606,361
<b>Net book value</b>				
At 31 May 2007	11,460,862	783,035	70,714	12,314,611
At 31 May 2006	11,653,941	895,703	86,503	12,636,147

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

	£
<b>Cost</b>	
At 1 June 2006 & at 31 May 2007	6,557,197
<b>Depreciation based on cost</b>	
At 1 June 2006	766,285
Charge for the year	110,357
At 31 May 2007	876,642
<b>Net book value</b>	
At 31 May 2007	5,680,555
At 31 May 2006	5,790,912

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. In the opinion of the directors, there have since been no material changes in the values.

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 10 Fixed asset investments

#### Company

Unlisted  
investments  
£

#### Cost or valuation

At 1 June 2006 & at 31 May 2007

14,978,688

At 31 May 2006

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

### 11 Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Raw materials and consumables	134,220	139,502	61,791	52,931

The replacement cost of raw materials and consumables as at 31 May 2007 is not materially different from the balance sheet amounts

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 12 Debtors

	Group 2007 £	2006 £	Company 2007 £	2006 £
Trade debtors	259,700	201,791	81,468	74,852
Other debtors	40,807	40,807	32,141	32,141
Prepayments and accrued income	402,910	261,103	194,506	215,581
	<u>703,417</u>	<u>503,701</u>	<u>308,115</u>	<u>322,574</u>

### 13 Creditors amounts falling due within one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Bank loans and overdrafts	937,243	921,066	1,002,204	2,702,170
Payments received on account	406,183	281,602	261,862	155,076
Trade creditors	738,104	511,775	395,856	366,187
Amounts owed to group undertakings			6,291,398	4,122,737
Corporation tax	218,529	229,459	40,441	19,434
Taxes and social security costs	513,661	481,045	260,694	262,409
Directors current accounts	2,176	4,828	2,176	4,828
Other creditors	28,390	207,378	23,351	201,120
Accruals and deferred income	657,076	694,215	199,510	189,549
	<u>3,501,362</u>	<u>3,331,368</u>	<u>8,477,492</u>	<u>8,023,510</u>

The aggregate amount of creditors for which security has been given amounted to £937,243  
(2006 £921,066)

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 14 Creditors amounts falling due after more than one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Bank loans	<u>8,760,000</u>	<u>9,530,000</u>	<u>8,760,000</u>	<u>9,530,000</u>
<b>Analysis of loans</b>				
Not wholly repayable within five years by instalments	6,555,000	7,075,000	6,555,000	7,075,000
Wholly repayable within five years	<u>2,975,000</u>	<u>3,225,000</u>	<u>2,975,000</u>	<u>3,225,000</u>
	9,530,000	10,300,000	9,530,000	10,300,000
Included in current liabilities	<u>(770,000)</u>	<u>(770,000)</u>	<u>(770,000)</u>	<u>(770,000)</u>
	<u>8,760,000</u>	<u>9,530,000</u>	<u>8,760,000</u>	<u>9,530,000</u>
Instalments not due within five years	<u>6,555,000</u>	<u>7,075,000</u>	<u>6,555,000</u>	<u>7,075,000</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	645,000	770,000	645,000	770,000
In more than two years but not more than five years	1,560,000	1,685,000	1,560,000	1,685,000
In more than five years	<u>6,555,000</u>	<u>7,075,000</u>	<u>6,555,000</u>	<u>7,075,000</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 18 months with £375,000 having been outstanding at 31 May 2007. The second loan is being repaid in quarterly instalments of £130,000 with £9,155,000 having been outstanding at 31 May 2007. 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 2007

### 15 Provisions for liabilities and charges

#### Group

#### Deferred taxation £

Balance at 1 June 2006	444,689
Profit and loss account	(16,979)
Balance at 31 May 2007	<u>427,710</u>

#### Company

Balance at 1 June 2006	344,065
Profit and loss account	(34,204)
Balance at 31 May 2007	<u>309,861</u>

#### Group

#### Company

#### The deferred tax liability is made up as follows

	2007 £	2006 £	2007 £	2006 £
Accelerated capital allowances	<u>427,710</u>	<u>444,689</u>	<u>309,861</u>	<u>344,065</u>

### 16 Accruals and deferred income

#### Group

#### Government grants £

Balance at 1 June 2006	179,433
Amortisation in the year	(15,820)
Balance at 31 May 2007	<u>163,613</u>

#### Company

Balance at 1 June 2006	167,433
Amortisation in the year	(3,820)
Balance at 31 May 2007	<u>163,613</u>

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 17 Pension costs

#### Defined contribution

	2007 £	2006 £
Contributions payable by the group for the year	64,923	42,531

### 18 Share capital

	2007 £	2006 £
<b>Authorised</b>		
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>
 <b>Allotted, called up and fully paid</b>		
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 2007

### 19 Statement of movements on reserves Group

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2006	6,223,500	3,593,642
Profit for the year		375,375
Transfer from revaluation reserve to profit and loss account	(82,945)	82,945
Dividends paid		(25,055)
Balance at 31 May 2007	<u>6,140,555</u>	<u>4,026,907</u>

### Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2006	6,223,500	3,256,839
Profit for the year		50,722
Transfer from revaluation reserve to profit and loss account	(82,945)	82,945
Dividends paid		(25,055)
Balance at 31 May 2007	<u>6,140,555</u>	<u>3,365,451</u>

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

20 Reconciliation of movements in shareholders' funds	2007	2006
Group	£	£
Profit for the financial year	375,375	363,793
Dividends	(25,055)	(25,055)
Net addition to shareholders' funds	350,320	338,738
Opening shareholders' funds	10,276,342	9,937,604
Closing shareholders' funds	10,626,662	10,276,342

Company	2007	2006
	£	£
Profit/(Loss) for the financial year	50,722	(18,131)
Dividends	(25,055)	(25,055)
Net addition to/(depletion in) shareholders' funds	25,667	(43,186)
Opening shareholders' funds	9,939,539	9,982,725
Closing shareholders' funds	9,965,206	9,939,539

21 Capital commitments	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Contracted for but not provided in the financial statements	95,000		95,000	

22 Directors' emoluments	2007	2006
	£	£
Emoluments for qualifying services	182,284	171,105

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2006 1)

# MCMILLAN HOTELS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2007

### 23 Employees

#### Number of employees

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

	2007 Number	2006 Number
Office and management	28	31
Others	359	384
	<u>387</u>	<u>415</u>

#### Employment costs

	2007 £	2006 £
Wages and salaries	4,365,217	4,462,357
Social security costs	345,551	359,979
Other pension costs	64,923	42,531
	<u>4,775,691</u>	<u>4,864,867</u>

### 24 Control

Control is by the board of directors

### 25 Related party transactions

The company made purchases to the value of £191,383 (2006 £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 £21,711 (2006 £18,467) was due to Andrew McMillan (Stranraer) Limited at 31st May 2007.