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MCMILLAN HOTELS LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

Company Registration No. SC073544 (Scotland)

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MCMILLAN HOTELS LIMITED

DIRECTORS AND ADVISERS

Directors	Hamilton C. McMillan Janet D. McMillan Douglas D. McMillan
Secretary	Graham Cowan
Company number	SC073544
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 2012

The directors present their report and financial statements for the year ended 31 May 2012.

Principal activities and review of the business
The principal activity of the group continues to be that of hoteliers.

The underlying trading performance of the business was impacted somewhat by the difficult economic and sector pressures however the directors are pleased to report a third consecutive year of profitability at both an operating and post-tax level. Turnover in the year fell to £9.659 million (2011 - £9.933 million) reflecting a fall of 2.7% compared to the previous year. Gross margin conversion held steady against the previous year and although administration costs were reduced, this did not fully compensate for the slight volume reduction. In a difficult trading environment overall customer numbers and occupancy rates fell very slightly during the year but the directors were pleased to have maintained margins and recorded a small increase in spend per customer. Retained profit for the year was £97,821 (2011 - £831,931), the 2011 results benefiting from a disposal gain of over £1.2m in respect of a non-trading asset. Profitable performance is a noteworthy achievement given the exceptionally competitive market and the continued economic downturn. During the year, the established programme of investment and improvement continued. Most notably at Peebles Hydropathic Hotel where a significant refurbishment of the main Ballroom was completed, further enhancing the facility following on from a major refurbishment of the public areas which was completed in January 2011.

In addition to maintaining the recent track record of profitable performance, the group was also able to take steps to reduce long-term debt by £1.323m which contributed to an overall reduction in net debt of £0.494m. The directors are pleased to report that The Bank of Scotland continues to provide solid support to the business and has agreed banking facilities through to June 2013 on the strength of recent and projected performance. During the year, the group also recognised and celebrated the achievement of 50 successful years in the Scottish hospitality sector through a series of events and the publication of a celebratory book, "McMillan - The Couple Who Built the Family Business".

Principal Risks and Uncertainties

The current recessionary climate brings uncertainty to the market. The key for the company is to continue to control costs whilst maintaining the high standard of facilities available across the group. As part of the on-going improvements to facilities, the group carried out a major refurbishment of the main Ballroom at Peebles Hydropathic Hotel during the year, adding to the significant enhancement of the main public areas at Peebles Hydropathic Hotel completed in January 2011. These improvements have provided a major boost to wedding, events and conferencing activity levels, although the major benefits are likely to be derived in the year ahead.

The directors have once again agreed banking facilities with The Bank of Scotland through to June 2013. The continued focus on increasing controls over overheads as well as direct costs will assist the group in maintaining operating profits, whilst strong cash-flow management supports the group's ability to operate within the agreed facilities. Measures have also been taken by the directors during the year to revitalise activity on securing and retaining customers. Accordingly the directors feel confident about the group's ability to maintain its reputation for the warmest of welcomes and exceptional customer service.

Key Performance Indicators

The directors closely monitor key performance indicators of the business, primarily average occupancy rates and average spend per guest at each hotel within the group. Average occupancy has fallen in the current year by 2.6% (2011: fall of 0.6%), whilst average spend per guest has increased by 0.5% (2011: decrease of 5.7%).

Results and dividends
The consolidated profit and loss account for the year is set out on page 5.

The directors do not recommend payment of a final dividend.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Directors
The following directors have held office since 1 June 2011:

Hamilton C. McMillan
Janet D. McMillan
Douglas D. McMillan

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 the Company's Articles, a resolution proposing that William Duncan & Co be reappointed as auditors of the company will be put at a General Meeting.

Statement of directors' responsibilities
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 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Hamilton C. McMillan
Director
13 February 2013

MCMILLAN HOTELS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MCMILLAN HOTELS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of McMillan Hotels Limited for the year ended 31 May 2012 set out on pages 6 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 May 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MCMILLAN HOTELS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

William Duncan & Co

Hazel Murphy ACA (Senior Statutory Auditor)
for and on behalf of William Duncan & Co

13 February 2013

Chartered Accountants
Statutory Auditor

30 Miller Road
Ayr
KA7 2AY

MCMILLAN HOTELS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2012

	Notes	2012 £	2011 £
Turnover	2	9,658,655	9,932,990
Cost of sales		(1,872,254)	(1,915,160)
Gross profit		7,786,401	8,017,830
Administrative expenses		(7,701,687)	(7,753,794)
Other operating income		7,016	4,016
Operating profit	3	91,730	268,052
Profit on sale of tangible assets		271,690	1,234,319
Profit on ordinary activities before interest		363,420	1,502,371
Other interest receivable and similar income		1,779	716
Interest payable and similar charges	4	(335,987)	(251,160)
Profit on ordinary activities before taxation	3	29,212	1,251,927
Tax on profit on ordinary activities	5	68,609	(419,996)
Profit on ordinary activities after taxation		97,821	831,931

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 2012

Note of historical cost profits and losses

	2012 £	2011 £
Reported profit on ordinary activities before taxation	29,212	1,251,927
Realisation of property revaluation gains of previous years	262,043	-
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	32,151	31,143
Historical cost profit on ordinary activities before taxation	323,406	1,283,070
Historical cost profit for the year retained after taxation, extraordinary items and dividends	392,015	863,074

MCMILLAN HOTELS LIMITED

BALANCE SHEETS

AS AT 31 MAY 2012

	Notes	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Fixed assets					
Intangible assets	7	(340,855)	(368,306)	-	-
Tangible assets	8	18,984,484	20,074,595	9,214,412	10,097,186
Investments	9	-	-	10,000,000	10,000,000
		18,643,629	19,706,289	19,214,412	20,097,186
Current assets					
Stocks	10	139,706	136,884	82,362	75,308
Debtors	11	208,516	269,581	123,071	155,977
Cash at bank and in hand		8,145	6,145	5,565	3,565
		356,367	412,610	210,998	234,850
Creditors: amounts falling due within one year	12	(3,078,848)	(2,911,001)	(3,123,823)	(2,976,390)
Net current liabilities		(2,722,481)	(2,498,391)	(2,912,825)	(2,741,540)
Total assets less current liabilities		15,921,148	17,207,898	16,301,587	17,355,646
Creditors: amounts falling due after more than one year	13	(5,314,915)	(6,630,509)	(5,239,915)	(6,455,509)
Provisions for liabilities	14	(57,608)	(122,568)	(29,887)	(94,420)
Accruals and deferred income	15	(153,915)	(157,931)	(144,513)	(148,333)
		10,394,710	10,296,890	10,887,272	10,657,384
Capital and reserves					
Called up share capital	17	459,200	459,200	459,200	459,200
Revaluation reserve	18	4,179,347	4,474,327	4,135,511	4,429,705
Profit and loss account	18	5,756,163	5,363,363	6,292,561	5,768,479
Shareholders' funds	19	10,394,710	10,296,890	10,887,272	10,657,384

MCMILLAN HOTELS LIMITED

BALANCE SHEETS (CONTINUED)

AS AT 31 MAY 2012

Approved by the Board and authorised for issue on 13 February 2013

H.C. McMillan

Hamilton C. McMillan
Director

Company Registration No. SC073544

MCMILLAN HOTELS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2012

	£	2012 £	£	2011 £
Net cash inflow from operating activities		391,607		938,123
Returns on investments and servicing of finance				
Interest received	1,765		716	
Interest paid	(335,987)		(251,160)	
Net cash outflow for returns on investments and servicing of finance		(334,222)		(250,444)
Taxation		(413,872)		(65,087)
Capital expenditure				
Payments to acquire tangible assets	(108,773)		(136,142)	
Receipts from sales of tangible assets	959,428		1,282,979	
Net cash inflow for capital expenditure		850,655		1,146,837
Net cash inflow before management of liquid resources and financing		494,168		1,769,429
Financing				
Government grant received	-		9,794	
Repayment of long term bank loan	(1,295,000)		(1,003,750)	
Capital element of hire purchase contracts	(28,044)		19,942	
Net cash outflow from financing		(1,323,044)		(974,014)
(Decrease)/increase in cash in the year		(828,876)		795,415

MCMILLAN HOTELS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2012

1	**Reconciliation of operating profit to net cash inflow from operating activities**	**2012**	**2011**
		£	**£**
	Operating profit	91,730	268,052
	Depreciation of tangible assets	511,146	544,519
	Amortisation of intangible assets	(27,451)	(27,451)
	Profit on disposal of tangible assets	-	(3,392)
	(Increase)/decrease in stocks	(2,822)	8,582
	Decrease/(increase) in debtors	87,200	(49,700)
	(Decrease)/Increase in creditors within one year	(264,180)	201,529
	Movement on grant provision	(4,016)	(4,016)
	Net cash inflow from operating activities	391,607	938,123

2	**Analysis of net debt**	**1 June 2011**	**Cash flow**	**Other non-cash changes**	**31 May 2012**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	83,762	3,276	-	87,038
	Bank overdrafts	(155,880)	(832,152)	-	(988,032)
		(72,118)	(828,876)	-	(900,994)
	Finance leases	(67,303)	28,043	-	(39,260)
	Debts falling due within one year	(375,000)	-	-	(375,000)
	Debts falling due after one year	(6,591,250)	1,295,000	-	(5,296,250)
		(7,033,553)	1,323,043	-	(5,710,510)
	Net debt	(7,105,671)	494,167	-	(6,611,504)

3	**Reconciliation of net cash flow to movement in net debt**	**2012**	**2011**
		£	**£**
	(Decrease)/increase in cash in the year	(828,876)	795,415
	Cash outflow from decrease in debt	1,323,043	983,807
	Movement in net debt in the year	494,167	1,779,222
	Opening net debt	(7,105,671)	(8,884,893)
	Closing net debt	(6,611,504)	(7,105,671)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2012

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.

Going concern

The group is dependent upon the continuing support of its bankers.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility. The group will open renewal negotiations with the bank in June 2013 and has, at this stage, not sought any written commitment that the facility will be renewed. However, the company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 2012. 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 hotel and related services rendered during the year.

1.5 Goodwill

Acquired goodwill and goodwill arising on consolidation, 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% & 33% reducing balance
Motor vehicles	25% reducing balance

1 Accounting policies **(continued)**

1.7 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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.

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**	**2012**	**2011**
		£	**£**
	Operating profit is stated after charging:		
	Amortisation of intangible assets	(27,451)	(27,451)
	Depreciation of tangible assets	511,146	544,519
	Operating lease rentals		
	- Plant and machinery	26,209	21,407
	and after crediting:		
	Government grants	4,016	4,016
	Profit on disposal of tangible assets	271,690	1,237,711
	Auditors' remuneration		
	Audit Fees (company £13,150; 2011: £13,490)	35,650	36,000
	Other compliance services	10,000	12,000
	General financial and tax advice	1,650	26,000
		47,300	74,000

4	**Interest payable**	**2012**	**2011**
		£	**£**
	On bank loans and overdrafts	335,831	251,160
	On overdue tax	156	-
		335,987	251,160

5 Taxation	2012 £	2011 £
Domestic current year tax		
U.K. corporation tax	22,387	413,773
Adjustment for prior years	(26,036)	6,500
Total current tax	(3,649)	420,273
Deferred tax		
Deferred tax charge/(credit) current year	(64,960)	(277)
	(68,609)	419,996
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	29,212	1,251,927
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2011 - 27.67%)	5,842	346,408
Effects of:		
Non deductible expenses	663	-
Depreciation add back	96,739	142,507
Capital allowances	(41,519)	(65,450)
Adjustments to previous periods	(26,036)	6,500
Chargeable disposals	(39,338)	-
Other tax adjustments	-	(9,692)
	(9,491)	73,865
Current tax charge for the year	(3,649)	420,273

6 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2012 £	2011 £
Holding company's profit for the financial year	229,888	34,143

7 **Intangible fixed assets**

Group and company

	Goodwill £
Cost	
At 1 June 2011 & at 31 May 2012	58,000
Amortisation	
At 1 June 2011	58,000
At 31 May 2012	58,000
Net book value	
At 31 May 2012	-
At 31 May 2011	-

Group

	Negative Goodwill £
Cost	
At 1 June 2011 & at 31 May 2012	(549,025)
Amortisation	
At 1 June 2011	(180,719)
Release for the year	(27,451)
At 31 May 2012	(208,170)
Net book value	
At 31 May 2012	(340,855)
At 31 May 2011	(368,306)

8 **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 2011	19,350,000	3,362,816	339,785	211,982	23,264,583
Additions	-	70,892	29,431	8,450	108,773
Disposals	(600,000)	(371,130)	-	(8,195)	(979,325)
At 31 May 2012	18,750,000	3,062,578	369,216	212,237	22,394,031
Depreciation					
At 1 June 2011	339,500	2,576,465	181,162	92,861	3,189,988
On disposals	(13,333)	(270,059)	-	(8,195)	(291,587)
Charge for the year	336,833	113,801	29,115	31,397	511,146
At 31 May 2012	663,000	2,420,207	210,277	116,063	3,409,547
Net book value					
At 31 May 2012	18,087,000	642,371	158,939	96,174	18,984,484
At 31 May 2011	19,010,500	786,351	158,623	119,121	20,074,595

The freehold properties were valued at £18,750,000 in April 2010 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 values.

The company sold an operating unit during the year and have entered into licence to operate the unit for 2 years at a peppercorn rent.

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

	£
Cost	
At 1 June 2011	17,637,685
Additions	-
Disposals	(570,390)
At 31 May 2012	17,067,295
Depreciation based on cost	
At 1 June 2011	1,932,675
Depreciation on disposal	(216,748)
Charge for the year	322,919
At 31 May 2012	2,038,846
Net book value	
At 31 May 2012	15,028,449
At 31 May 2011	15,705,010

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant, machinery, fixtures and fittings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 May 2012	-	-	59,356	59,356
At 31 May 2011	-	-	79,141	79,141
Depreciation charge for the year				
31 May 2012	-	-	19,785	19,785
31 May 2011	-	-	14,570	14,570

8 **Tangible fixed assets (continued)**

Company

	Land and buildings Freehold	Plant, machinery, fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 June 2011	9,450,000	3,013,566	203,577	12,667,143
Additions	-	61,848	8,450	70,298
Disposals	(600,000)	(371,130)	(8,195)	(979,325)
At 31 May 2012	8,850,000	2,704,284	203,832	11,758,116
Depreciation				
At 1 June 2011	141,500	2,341,320	87,137	2,569,957
On disposals	(13,333)	(270,059)	(8,195)	(291,587)
Charge for the year	138,833	95,774	30,727	265,334
At 31 May 2012	267,000	2,167,035	109,669	2,543,704
Net book value				
At 31 May 2012	8,583,000	537,249	94,163	9,214,412
At 31 May 2011	9,308,500	672,246	116,440	10,097,186

In April 2010, the freehold properties were revalued on the basis of open market value for current use to £8,850,000. These were revalued by Messrs Christie & Co., valuation agents. In the opinion of the directors, there have since been no material changes in the values.

The company sold an operating unit during the year and have entered into a licence to operate the unit for 2 years at a peppercorn rent.

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

	£
Cost	
At 1 June 2011 & at 31 May 2012	6,557,198
Depreciation based on cost	
At 1 June 2011	1,318,070
Charge for the year	101,349
At 31 May 2012	1,419,419
Net book value	
At 31 May 2012	5,137,779
At 31 May 2011	5,239,128

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant, machinery, fixtures and fittings	Motor vehicles	Total
	£	£	£
Net book values			
At 31 May 2012	-	59,356	59,356
At 31 May 2011	-	79,141	79,141
Depreciation charge for the year			
31 May 2012	-	19,785	19,785
31 May 2011	-	14,570	14,570

9 Fixed asset investments

Company

	Unlisted investments
	£
Cost or valuation	
At 1 June 2011 & at 31 May 2012	10,000,000
At 31 May 2011	10,000,000

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

10 Stocks

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Foodstuffs, beverages etc	121,443	118,864	82,362	75,308
Shop stocks	18,263	18,020	-	-
	139,706	136,884	82,362	75,308

11 Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	117,412	178,471	36,408	71,121
ACT recoverable	26,121	-	26,121	-
Other debtors	-	4,478	-	3,516
Prepayments and accrued income	64,983	86,632	60,542	81,340
	208,516	269,581	123,071	155,977

12 Creditors : amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts	1,284,139	453,263	1,263,032	430,880
Payments received on account	506,180	430,072	307,349	287,485
Net obligations under finance lease and hire purchase contracts	20,595	28,044	20,595	28,044
Trade creditors	357,332	341,248	248,095	258,093
Amounts owed to group undertakings	-	-	709,621	1,096,192
Corporation tax	22,373	413,773	14,015	54,717
Taxes and social security costs	409,110	451,942	386,613	427,470
Directors current accounts	-	200,000	-	200,000
Other creditors	91,255	50,425	73,322	31,769
Accruals and deferred income	387,864	542,234	101,181	161,740
	3,078,848	2,911,001	3,123,823	2,976,390

The aggregate amount of creditors for which security has been given amounted to £1,304,734 (2011 - £481,307).

13 Creditors : amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans	5,296,250	6,591,250	5,221,250	6,416,250
Net obligations under finance leases and hire purchase agreements	18,665	39,259	18,665	39,259
	5,314,915	6,630,509	5,239,915	6,455,509
Analysis of loans				
Not wholly repayable within five years by instalments:	2,010,000	5,346,250	2,010,000	5,346,250
Wholly repayable within five years	3,661,250	1,620,000	3,486,250	1,345,000
	5,671,250	6,966,250	5,496,250	6,691,250
Included in current liabilities	(375,000)	(375,000)	(275,000)	(275,000)
	5,296,250	6,591,250	5,221,250	6,416,250
Instalments not due within five years	2,010,000	5,346,250	2,010,000	5,346,250
Loan maturity analysis				
In more than one year but not more than two years	2,506,250	375,000	2,431,250	275,000
In more than two years but not more than five years	780,000	870,000	780,000	795,000
In more than five years	2,010,000	5,346,250	2,010,000	5,346,250

The Bank of Scotland holds a bond and floating charge over the whole assets of the group and also holds standard securities over North West Castle Hotel, Stranraer, Cally Palace Hotel, Gatehouse-of-Fleet, Glenapp Castle Hotel, Ballantrae and Peebles Hotel Hydropathic, Peebles, as security against all the group's bank borrowings. The bank also holds a cross-guarantee from the group companies.

Hire Purchase liabilities are secured upon the assets on which finance is provided.

The group had three term loans during the year. The interest rate applying is set between 1.5% and 3% above LIBOR.

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

Net obligations under finance leases and hire purchase contracts				
Repayable within one year	20,595	28,044	20,595	28,044
Repayable between one and five years	18,665	39,259	18,665	39,259
	39,260	67,303	39,260	67,303
Included in liabilities falling due within one year	(20,595)	(28,044)	(20,595)	(28,044)
	18,665	39,259	18,665	39,259

14 Provisions for liabilities

Group

	Deferred taxation £
Balance at 1 June 2011	122,568
Profit and loss account	(64,960)
Balance at 31 May 2012	57,608

Company

Balance at 1 June 2011	94,420
Profit and loss acount	(64,533)
Balance at 31 May 2012	29,887

The deferred tax liability is made up as follows:

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Accelerated capital allowances	57,608	122,568	29,887	94,420

15 Accruals and deferred income

Group	Government grants £
Balance at 1 June 2011	157,931
Amortisation in the year	(4,016)
Balance at 31 May 2012	153,915
Company	
Balance at 1 June 2011	148,333
Amortisation in the year	(3,820)
Balance at 31 May 2012	144,513

16 Pension and other post-retirement benefit commitments

Defined contribution

	2012 £	2011 £
Contributions payable by the group for the year	19,777	19,929

17 Share capital

	2012 £	2011 £
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
	459,200	459,200

18 Statement of movements on reserves

Group

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2011	4,474,327	5,363,362
Profit for the year	-	97,821
Transfer from revaluation reserve to profit and loss account	(294,980)	294,980
Balance at 31 May 2012	4,179,347	5,756,163

Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 June 2011	4,429,705	5,768,479
Profit for the year	-	229,888
Transfer from revaluation reserve to profit and loss account	(294,194)	294,194
Balance at 31 May 2012	4,135,511	6,292,561

19 Reconciliation of movements in shareholders' funds

Group

	2012 £	2011 £
Profit for the financial year	97,821	831,931
Opening shareholders' funds	10,296,890	9,464,959
Closing shareholders' funds	10,394,710	10,296,890

Company

	2012 £	2011 £
Profit for the financial year	229,888	34,143
Opening shareholders' funds	10,657,384	10,623,241
Closing shareholders' funds	10,887,272	10,657,384

Directors' emoluments	2012 £	2011 £
Emoluments for qualifying services	245,498	250,910

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2011- 1).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	92,126	88,301

21 Employees

Number of employees

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

	2012 Number	2011 Number
Office and management	31	31
Others	303	307
	334	338

Employment costs	2012 £	2011 £
Wages and salaries	3,963,179	3,973,112
Social security costs	302,883	321,277
Other pension costs	19,777	19,929
	4,285,839	4,314,318

22 Control

The group is controlled jointly by the board of directors.

23 Related party relationships and transactions

Group

The group made purchases to the value of £192,173 (2011 £341,696) from Andrew McMillan (Stranraer) Limited during the year. That company is controlled by a trust, of which Mr H C McMillan, director, acts as a trustee. A balance of £nil (2011 £29,958) was due to Andrew McMillan (Stranraer) Limited at 31st May 2012.

The group made purchases to the value of £21,994 (2011 £nil) from David Hardie Engineering Limited during the year. That company is controlled by David Hardie, the son-in-law of Mr H C McMillan and Mrs J D McMillan, directors of the company. A balance of £21,994 (2011 £nil) was due to David Hardie Engineering Limited at 31st May 2012.