

Registered No. SC340903

Leisurecorp Scotland Limited

Report and Financial Statements

31 December 2008

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COMPANIES HOUSE

Leisurecorp Scotland Limited

Registered No. SC340903

Directors

Tony Charles Sole
David Thomas Spencer
Alan John Rogers

Secretary

Tony Charles Sole

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Registered office

c/o Maclay, Murray & Spens LLP
151 St Vincent Street
Glasgow
G2 5NJ

Solicitors

Maclay, Murray & Spens LLP
151 St Vincent Street
Glasgow
G2 5NJ

Directors' report

The directors present their report and group financial statements for the period ended 31 December 2008.

Results and dividends

The loss for the period, after taxation, amounted to £10,004,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The company was incorporated on 7 April 2008 and commenced trading on 1 of November 2008. The principal activity of the company in the year under review was that of investment holding company.

The accounting reference date of the company was shortened to end on 31 December 2008 on 12 June 2009.

Principal risks and uncertainties

The company and group continue to look at risks and uncertainties during its budgeting process and monthly strategic meetings.

Competitive risks

The company and group operate at the upper end of the competitive Scottish resort market. Risks are possible from either new competitor openings, but in the main from existing competitors investing in product refurbishment, expansions and competitive price pressure as a result of the economic decline.

Economic risks

The company and group is reliant on healthy economies in all its major markets; being UK, USA and Europe. The recent economic upheaval, in particular in the US, poses some risk to the high end market as individuals experience reduced disposable income and companies look for cost saving exercises.

Exchange rate risks

A significant element of the group and company's revenue is dependant on non UK based businesses. Adverse exchange fluctuations of major currencies (specifically Euro) are a potential risk to the company. The company continually monitors exposure to foreign currency exchange rate movements.

Liquidity risk

Liquidity risk is the risk that the company will have insufficient debt facilities to meet future obligations. The company aims to mitigate liquidity risk by managing cash generation by its operations. Further, the company regularly reviews its borrowing facilities to ensure funds are available to meet planned debt requirements plus a contingency.

Future developments

The directors have planned to do further development work to improve its group and company standards. They consider that 2009 will show a further growth in sales, with increased occupancy and the average room rate.

The first phase of the refurbishment of the hotel was completed in July 2009. The refurbishment has changed the resort from a Westin to Luxury collection. As a result of the investment and re-branding of the resort to a Luxury Collection, despite the adverse economic conditions, the directors remain optimistic that the company will deliver growth over future years.

Following the opening of the hotel in July 2009 the directors anticipate strong sales for the remainder of 2009 driven by the rebranding and the positive publicity generated from the resort hosting The Open Championship in July 2009.

Directors' report

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company and group continues and that appropriate training is arranged. It is the policy of the company and group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. The company and group is an equal opportunities employer.

The company and group recognise the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. Company and group policies in this regard are regularly reviewed with the objective of ensuring that these standards are achieved.

Employee involvement

The company and group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various matters affecting the performance of the company. This is achieved through formal and informal meetings.

Directors

The directors who served the company during the year are as listed below:

Tony Charles Sole	(appointed 29 05 2008)
David Thomas Spencer	(appointed 29 05 2008)
Alan John Rogers	(appointed 29 05 2008; resigned 05 03 2009)
Abdul Wahid Al Ulama	(appointed 05 03 2009)

Supplier payment policy

The group and company policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

At 31 December 2008, the company had an average of 21 days purchases outstanding in trade creditors.

Statement as to disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to have made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Secretary

31 July 2009.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Leisurecorp Scotland Limited

We have audited the group and company's financial statements for the period ended 31 December 2008 which comprises the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of 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 Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 Directors' Report is not 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 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.

Independent auditors' report

to the members of Leisurecorp Scotland Limited

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 group and company's affairs as at 31 December 2008 and of its loss for the period 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.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

3 August 2009

Group profit and loss account

For the period ended 31 December 2008

	Notes	2008 £000	2008 £000
Turnover	2		195
Cost of sales			(579)
Gross profit			(384)
Administrative expenses			
-Before Exceptional items		(1,633)	
-Tangible fixed assets write off	3	(7,010)	
			(8,643)
Operating loss	4		(9,027)
Interest receivable	5		2
Interest payable and similar charges	6		(979)
Other finance expenses	7		-
Loss on ordinary activities before taxation			(10,004)
Tax credit on loss on ordinary activities	10		-
Loss for the financial year			(10,004)

The results have been derived wholly from continuing operations in both years.

Statement of total recognised gains and losses

For the period ended 31 December 2008

	2008 £000
Loss for the financial year	(10,004)
Actuarial loss recognised on the pension scheme	(641)
Total gains and losses for the financial year	(10,645)

Group balance sheet

at 31 December 2008

	Notes	2008 £000
Fixed assets		
Tangible assets	11	30,151
Intangible assets	12	20,647
		<u>50,798</u>
Current assets		
Stocks	14	336
Debtors	15	1,449
Cash at bank and in hand		462
		<u>2,247</u>
Creditors: amounts falling due within one year	16	8,932
Net current liabilities		<u>(6,685)</u>
Total assets less current liabilities		44,113
Creditors: amounts falling due after more than one year	17	49,258
		<u>(5,145)</u>
Net pension position	18	-
		<u>(5,145)</u>
Capital and reserves		
Called up share capital	22	5,500
Profit and loss account	23	(10,645)
Net Shareholder's deficit	23	<u>(5,145)</u>

Approved by the board of Directors on 31 July 2009 and signed on its behalf by



Director

Company balance sheet

at 31 December 2008

	Notes	2008 £000
Fixed assets		
Investments	13	31,234
Current assets		
Debtors	15	24,600
Creditors: amounts falling due within one year	16	1,596
Net current assets		23,004
Total assets less current liabilities		54,238
Creditors: amounts falling due after more than one year	17	49,258
		4,980
Capital and reserves		
Called up share capital	22	5,500
Profit and loss account	23	(520)
Equity shareholders' funds	23	4,980

Approved by the board of Directors on 31 July 2009 and signed on its behalf by


Director

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

In preparing the financial statements for the current year, the group has adopted the amendment to FRS 17 'Retirement Benefits'. The adoption has resulted in a change in accounting policy for the valuation of quoted securities included in plan assets. The fair values of these securities are now based on the current bid price, rather than the mid market value as previously used by the group. There was no material impact on the balance sheet, profit and loss account and statement of total recognised gains and losses. The amendment to FRS 17 also aligns the disclosures in the standard with those of the equivalent International Accounting Standard 19. These disclosures have been given in note 18.

Going concern

The group had net liabilities at 31 December 2008. However, the directors have drawn up the financial statements on a going concern basis. Leisurecorp LLC, the ultimate parent undertaking, has confirmed it will provide all necessary financial support to the company for the foreseeable future, and at least for a period of 12 months from the date of signing of the financial statements, to enable it to continue trading and to meet its financial obligations as they fall due.

Fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Work in progress relate to refurbishment costs. Refurbishment commenced in November 2008 and therefore these assets will only be depreciated once refurbishment is completed.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	40 years
Fixtures, fittings and equipment	–	2 to 20 years

Goodwill

Positive goodwill arising on acquisition is capitalised, classified as an asset on the Balance Sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets represent brands acquired as part of an acquisition of a business. These are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on acquisition. The carrying value of the assets is not subject to annual amortisation, but is reviewed annually for any permanent diminution in carrying value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (*continued*)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over the shorter of lease term and their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis.

Pension schemes

For defined benefit schemes the amounts charged to operating profit are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are charged to operating profit immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised by equal annual instalments until vesting occurs. The interest cost and the expected return on assets are included as other finance costs. Actuarial gains and losses net of deferred tax are recognised immediately in the statement of total recognised gains and losses.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Defined benefit schemes are either externally funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds, or are unfunded. Pension scheme assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Share-based payments

Equity settled transactions

The cost of equity settled transactions – restricted stock – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using market values. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity.

Cash settled transactions

The cost of cash settled transactions – stock options – with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the stock options become fully vested. Fair value is determined by using market values. As this entity does not have a specific liability to make a cash payment to its employees to settle the award, the expense at the balance sheet date is recognised in the income statement with a corresponding entry in equity.

2. Turnover

Turnover comprises amounts derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax, other sales related taxes and trade discounts. Turnover arises solely from the company's principal activity within the United Kingdom.

3. Exceptional items

Included in operating loss

	2008 £000
Impairment of tangible fixed assets	7,010

As a result of the refurbishment fixed assets with a book value of £7,010,440 have been scrapped and written off in full during the period

4. Operating loss

This is stated after charging:

	2008 £000
Auditors' remuneration - audit services	59
Depreciation of owned fixed assets	299
Impairment of buildings	7,010

Notes to the financial statements

at 31 December 2008

5. Interest receivable

	2008
	£000
Interest receivable	2
	<u>2</u>

6. Interest payable and similar charges

	2008
	£000
Intercompany loan interest	979
	<u>979</u>

7. Other finance income/(expenses)

	2008
	£000
Expected return on pension scheme assets	255
Interest on pension scheme liabilities	(255)
	<u>-</u>

8. Staff costs

	2008
	£000
Wages and salaries	485
Social security costs	44
Other pension costs	4
	<u>533</u>

The monthly average number of employees during the period was made up as follows:

	2008
	No.
Operating employees	154
Administrative employees	30
	<u>184</u>

Notes to the financial statements

at 31 December 2008

9. Directors' emoluments

	2008 £000
Emoluments	-

There was no director's remuneration in the period.

10. Taxation on ordinary activities

(a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities is higher than the standard rate of corporation tax in the UK of 28.00%. The differences are reconciled below:

	2008 £000
Loss on ordinary activities before taxation	(10,004)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.00 %	(2,801)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	1,121
Capital allowances in advance of depreciation	1,106
Group relief surrendered for nil payment	2
Unrelieved tax losses carried forward	572
Total current tax	-

(b) Deferred tax

Deferred tax is provided at 28% in the financial statements as follows:

	2008 £000
Accelerated capital allowances	3,646
Other timing differences	-
Trading losses	(3, 646)
	-

The company has further trading losses carried forward resulting in a deferred tax asset of £522,415. This is not recognised as there is no certainty of suitable taxable profits in the future against which the losses can be offset.

Notes to the financial statements

at 31 December 2008

11. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Fixtures fittings and equipment £000</i>	<i>Construction in progress £000</i>	<i>Total £000</i>
<i>Cost:</i>				
At 7 April 2008	-	-	-	-
Additions	30,761	2,532	4,167	37,460
At 31 December 2008	30,761	2,532	4,167	37,460
<i>Depreciation:</i>				
At 7 April 2008	-	-	-	-
Provided during the year	187	112	-	299
Disposal	6,693	317	-	7,010
At 31 December 2008	6,880	429	-	7,309
<i>Net book value:</i>				
At 31 December 2008	23,881	2,103	4,167	30,151

At 31 December 2008 the net book value of tangible fixed assets held under finance leases and hire purchase contracts was £6,395. Depreciation charged for the 2 month period on these assets amounted to £3,600.

As a result of the refurbishment, fixed assets with a book value of £7,010,440 have been scrapped and written off in full during the period (note 3).

12. Intangible fixed assets

	<i>Goodwill £000</i>	<i>Goodwill attributed to brand £000</i>	<i>Total £000</i>
<i>Cost:</i>			
At 7 April 2008	-	-	-
Additions	665	20,000	20,665
At 31 December 2008	665	20,000	20,665
<i>Amortisation:</i>			
At 7 April 2008	-	-	-
Provided during the year	18	-	18
At 31 December 2008	18	-	18
<i>Net book value:</i>			
At 31 December 2008	647	20,000	20,647

Notes to the financial statements

at 31 December 2008

13. Investments

	<i>Subsidiary undertaking £000</i>
<i>Cost:</i>	
At 31 December 2008	31,234

	<i>Country of registration</i>	<i>Principal activity</i>	<i>Description and proportion of share capital</i>
SLC Turnberry Limited	England	Trading	100% ordinary share capital

On 31 October 2008 the group acquired SLC Turnberry Limited for a consideration of £31,234,000. The investment has been included in the company's Balance Sheet at its fair value at the date of acquisition.

	<i>Book Value £000</i>	<i>Fair value to group £000</i>
Tangible fixed assets	33,293	33,293
Stock	363	363
Debtors	1,699	1,699
Cash	744	744
Creditors	(25,530)	(25,530)
Net assets	10,569	10,569
Intangible assets and goodwill arising on acquisition		20,665
		31,234
<i>Discharged by:</i>		
Cash		30,869
Costs associated with the acquisition		365
		31,234

SLC Turnberry Limited earned a loss after tax of £11,253,000 in the year to 31 December 2008, of which £1,787,000 arose in the period from 1 January 2008 to 31 October 2008. The summarised profit and loss account for the period from 1 January 2008 to the effective date of acquisition is as follows:

	<i>£000</i>
Turnover	13,833
Operating loss	(534)
Loss before tax	(1,787)
Taxation	-
Loss for the 10 months ended 31 October 2008	(1,787)

There were £190k actuarial losses in the 10 months ended 31 October 2008

Notes to the financial statements

at 31 December 2008

14. Stocks

	<i>Group</i>	<i>Company</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Finished goods and consumables	336	-

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

15. Debtors

	<i>Group</i>	<i>Company</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Other debtors	-	469
Prepayments and accrued income	1,356	-
Amounts owed by other group undertakings	93	24,131
	<u>1,449</u>	<u>24,600</u>

16. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Company</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Obligation under finance leases and hire purchase contracts (note 15)	8	-
Trade creditors	1,851	-
Amounts owed to other group undertakings	6,955	1,596
Accruals and deferred income	118	-
	<u>8,932</u>	<u>1,596</u>

17. Creditors: amounts falling due after one year

	<i>Group</i>	<i>Company</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to other group undertakings	49,258	49,258

Amounts owed to other group undertakings relates to a Eurobond of £48,950,000 with Golf Investment Group, a Dubai World company and a loan from the parent company, Leisurecorp LLC. The Eurobond maturity date is 31 October 2023 and attracts interest at 12 per cent per annum. The loan of £550,000 from Leisurecorp LLC is interest free.

Notes to the financial statements

at 31 December 2008

18. Net pension position

Leisurecorp Scotland Limited, acquired 100% of the issued share capital of SLC Turnberry Ltd on 31 October 2008 (note 13). SLC Turnberry Ltd provides defined benefit pension arrangements for certain permanent employees through the Turnberry Hotel Pension Scheme. On 31 March 2006, the scheme was closed to future accrual. The deficit in the scheme is being funded by contributions from the company.

Included in the Statement of Total Recognised Gains and Losses for Leisurecorp Scotland Limited Group, are the post acquisition pensions costs of £641k. The disclosures below are the disclosures for the full year as reproduced in the SLC Turnberry Limited financial statements.

The most recent actuarial valuation was as at 31 December 2005 and has been updated by a qualified actuary to take account of the requirements of FRS 17, in order to assess the liabilities of the scheme at 31 December 2008. Scheme assets are stated at their market value at the respective balance sheet dates.

The main assumptions are as follows:

	2008 %	2007 %
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	2.80	3.25
Rate of increase in deferred pensions	2.80	3.25
Discount rate	5.80	5.50
Inflation assumption	2.80	3.25

Expected rate of return of scheme assets:

Equities	5.85	6.50
Bonds	4.80	4.75
Cash	1.75	5.25

Life expectancy:

Member age 65 (current life expectancy) - years	85	85
Member age 40 (current life expectancy) - years	86	86

The assets and liabilities of the scheme and the expected rate of return at 31 December are shown below. These are net of investment management expenses. As other expenses are paid separately by the Company, no account is taken of these.

	2008		2007	
	Long term rate of return expected %	Value £000	Long term rate of return expected %	Value £000
<i>Scheme assets at fair value</i>				
Equities/property	5.85	2,499	6.5	2,496
Bonds	4.80	2,529	4.75	2,423
Cash	1.75	-	5.25	6
Fair value of scheme assets		5,028		4,925
Present value of scheme liabilities		(4,238)		(4,700)
Defined benefit pension scheme surplus		790		225

Notes to the financial statements

at 31 December 2008

18. Net pension position (continued)

The pension surplus has not been recognised as the Company is not expected to be able to recover the surplus.

An analysis of the defined benefit cost for the year ended 31 December is as follows:

	2008 £000	2007 £000
Current service cost	-	-
Total operating charge	-	-
Other finance costs - expected return on pension scheme assets	255	273
Other finance costs - interest on pension scheme liabilities	(255)	(233)
Total other finance income	-	40

Included in the statement of total recognised gains and losses:

	2008 £000	2007 £000
Actual return on scheme assets	(585)	305
Less: expected return on scheme assets	(255)	(273)
	(840)	32
Experience gains/(losses) on scheme liabilities	9	(77)
Loss arising from changes underlying the present value of the scheme liabilities	-	173
	(831)	128

Changes in the present value of the defined benefit obligations are analysed as follows:

	2008 £000	2007 £000
As at 1 January	4,700	4,743
Interest cost	255	233
Actuarial gain	(574)	(96)
Benefits paid from scheme	(143)	(180)
As at 31 December	4,238	4,700

Notes to the financial statements

at 31 December 2008

18. Net pension position (continued)

Changes in the fair value of plan assets are analysed as follows:

	2008 £000	2007 £000
As at 1 January	4,925	4,572
Expected return on scheme assets	255	273
Actuarial (loss)/gain on scheme assets	(840)	32
Employer contributions	831	228
Benefits paid from scheme	(143)	(180)
As at 31 December	5,028	4,925

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Fair value of scheme assets	5,028	4,925	4,572	4,044	3,418
Present value of defined benefit obligation	4,238	4,700	4,743	4,735	4,143
Surplus/(Deficit) in the scheme	790	225	(171)	(691)	(725)
Experience adjustments arising on plan liabilities	840	(32)	(154)	(455)	(114)
Difference between expected and annual return on scheme assets	(9)	77	(111)	(345)	(56)

19. Share-based payments

SLC Turnberry Ltd was purchased on 31 October 2008. Within SLC Turnberry Ltd certain employees are granted stock options and restricted stock in the equity of the operator's ultimate parent undertaking, Starwood Hotels & Resorts Worldwide Inc. The number of stock options and restricted stock received depends upon grade level and performance. The employees will receive cash or equity (depending on the scheme) that is linked to the price of equity instruments of the parent undertaking. It is the parent undertaking that is obliged to make the payments to the employees.

The company recognised a charge for employee compensation expense of £11,000 during the 2 months post acquisition. The disclosures below are the disclosures for the full year as reproduced in the SLC Turnberry Limited financial statements.

The awards are settled by Starwood, the operator's parent company and the employee compensation expense recharged to SLC Turnberry Limited over the vesting period for the accruals. At period end the company has no direct liability to settle the awards through cash or equity.

Notes to the financial statements

at 31 December 2008

19. Share-based payments (continued)

2004 Long-Term Incentive Compensation Plan

Stock options have a vesting schedule (typically 4 years at 25% per annum). The expiry date of stock options is 8 to 10 years after vesting. Stock options entitle the employee to a future cash payment which can be redeemed at any time between vesting and expiry. Market values are used to calculate the stock values at date of grant.

Restricted stocks generally vest after 3 years. There is no expiry period on restricted stocks. Restricted stocks are equity settled once the vesting period has expired. Market values are used to calculate the stock values at date of grant.

All stocks are traded in the USA and valued in US Dollars. An exchange rate of 1.447 as at 31 December 2008 (1.997 for 2007) has been used to convert all values to Sterling.

The following table illustrates the number and weighted average exercise process (WAEP) and movements in stock options during the year.

	2008 No.	2008 WAEP £	2007 No.	2007 WAEP £
Outstanding as at 1 January	9,963	34.17	29,525	18.54
Granted during the year	1,754	37.39	1,317	33.46
Adjustments during the year	-	-	-	-
Exercised during the year	(1,628)	31.40	(20,879)	36.37
Outstanding as at 31 December	10,089	34.84	9,963	24.76
Exercisable as at 31 December	3,666	25.76	-	-

The weighted average share price at the date of exercise for the options exercised in 2008 is £31.40 (2007: £36.37).

The weighted average fair value per option for options granted during 2008 was £11.91 (2007: £10.29)

Notes to the financial statements

at 31 December 2008

19. Share-based payments (continued)

The fair value of the options granted is determined using a lattice valuation model. The following table lists the inputs to the model used for the year ending 31 December 2008 and 31 December 2007.

	31 Dec 2008 %	31 Dec 2007 %
Dividend yield	1.50	1.40
Volatility:		
- Near term	38	25
- Long term	36	37
Expected life	6 years	6 years
Yield curve:		
- 6 months	1.90	5.12
- 1 year	1.91	4.96
- 3 years	2.17	4.55
- 5 years	2.79	4.52
- 10 years	3.73	4.56

The dividend yield is based on historical data for the 12 month period immediately prior to the date of the grant.

The estimated volatility is based on a combination of historical share price volatility as well as implied volatility based on market analysis. The expected life represents the period that the parent company's (Starwood Hotels and Resorts Worldwide Inc) stock based awards are expected to be outstanding.

The yield is based on the implied zero coupon yield from US Treasury yield curve over the expected term of the option. For the share options outstanding as at 31 December 2008, the weighted average remaining contractual life is 13 months (2007: 9 months).

20. Obligations under finance leases and hire purchase contracts

Group and Company

The maturity of these amounts is as follows:

	Group 2008 £000	Company 2008 £000
Amounts payable:		
Within one year	8	-
In two to five years	-	-
	<u>8</u>	<u>-</u>

Notes to the financial statements

at 31 December 2008

21. Commitments under operating leases

Group and Company

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Assets other than land and buildings</i>	
	<i>Group</i>	<i>Company</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	7	-
In two to five years	13	-
	<u>20</u>	<u>-</u>

22. Share capital

Group and Company

	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
<i>Authorised:</i>		
Ordinary shares of £1 each	5,600	5,600
	<u>5,600</u>	<u>5,600</u>
	<i>No.</i>	<i>No.</i>
	<i>2008</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	5,500	5,500
	<u>5,500</u>	<u>5,500</u>

23. Reconciliation of shareholders' funds and movement on reserves

Group

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 7 April 2008	-	-	-
Called up share capital	5,500	-	5,500
Loss for the period	-	(10,004)	(10,004)
Actuarial loss recognised on pensions	-	(641)	(641)
At 31 December 2008	<u>5,500</u>	<u>(10,645)</u>	<u>(5,145)</u>

Notes to the financial statements

at 31 December 2008

23. Reconciliation of shareholders' funds and movement on reserves (continued)

Company

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 7 April 2008	-	-	-
Called up share capital	5,500	-	5,500
Loss for the period	-	(520)	(520)
At 31 December 2008	5,500	(520)	4,980

24. Ultimate parent undertaking

The immediate parent undertaking of the smallest such group is Leisurecorp LLC, a company registered in United Arab Emirates.

The ultimate parent undertaking of the largest group of undertaking for which group financial statements are drawn up and of which the company is a member is Dubai World Corporation, a company incorporated in United Arab Emirates.

Copies of the financial statements of both companies can be obtained from Leisurecorp LLC, Jumeirah Golf Estates, Emirates Road, PO Box 262080, Dubai, United Arab Emirates.

25. Related party transactions

The company has utilised the exemption under FRS 8 as a wholly owned subsidiary not to disclose transactions with other entities that are part of, or investees of Leisurecorp LLC.