

Macdonald Resorts Limited

Directors' report and financial statements

Registered number SC019593

29 March 2012

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Company information

Directors	RG Fraser SR Jackson
Registered office	Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG
Auditors	KPMG LLP Saltire Court Castle Terrace Edinburgh EH1 2EG
Solicitors	Tods Murray Edinburgh Quay 133 Fountainbridge Edinburgh EH3 9AG

Directors' report

The directors present their report and the audited financial statements for the year ended 29 March 2012.

Principal activities

The principal activities of the company are the sale, management and rental of timeshare units and associated hotel and leisure activities.

Business review

The directors are satisfied with the company's results and progress to date and expect the company to operate at a similar level of activity in the future.

The principal risks and uncertainties affecting the business include the following:-

- Timeshare club management contracts: the company maintains strong relationships with the timeshare club committees.
- Consumer spending levels: the company operates in an industry which is impacted by consumer spending levels. Our international coverage, without being concentrated in any one region or country together with the fact that our resorts operate in a variety of markets including seasonal ownership, apartment rental, hotel and leisure services and timeshare club management, provides us with adequate sheltering from the impact of any drop in consumer spending levels.

Key areas of strategic development and performance of the business

- Sales and Marketing: significant investment is being made to develop our brand and ensure new business is being won continually; new markets have been developed in line with the company's strategy and key customer relationships are monitored on a regular basis.
- Competitive advantage: the company focuses on areas where it has a competitive advantage including quality and value and the development of its people which places it well in terms of superior long term income/cash flow growth potential.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

	2012	2011	Measure
Financial			
Gross Profit %	20%	16%	Gross Profit / turnover * 100
Stock turnover	7.9	11.1	Turnover/Stock
Debtor days	12.5	1.4	Trade debtors/turnover * days in accounting year
Creditor days	45.2	62.1	Trade creditors/cost of sales * days in accounting year

Key non-financial performance indicators include:

- The monitoring of quality. A key indicator used to monitor the standard of each resort is the grading awarded by RCI. The company currently operates 8 gold crown resorts and 1 silver crown resort.
- Monitoring of the company's environmental impact and energy consumption. The directors are satisfied with the progress the company has made during the year and will continue to focus on limiting the company's environmental impact and energy consumption.

The results for the year are set out in the profit and loss account on page 6.

The directors have prepared the financial statements on a going concern basis as explained in note 1 to the financial statements, under the section "Basis of Preparation".

Directors' report *(continued)*

Dividends paid during the year comprise interim dividends of £nil in respect of the year ended 29 March 2012 (2011: £4,389,000). The directors do not propose the payment of a final dividend (2011: £nil).

Directors

The directors who held office throughout the year and at the date of this report are as follows:

RG Fraser
SR Jackson

Employees

The company has maintained its policy of communicating and consulting with employees on matters of concern to them and providing information in particular on the financial and economic factors affecting the performance of the company. Fair and equal consideration is given to the recruitment and career development of all employees including disabled persons, whether or not they become disabled while in the company's employment and to the provision and training and other assistance where necessary.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



RG Fraser
Director

Edinburgh Quay
133 Fountainbridge
Edinburgh
EH3 9AG

20 December 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report to the members of Macdonald Resorts Limited

We have audited the financial statements of Macdonald Resorts Limited for the year ended 29 March 2012 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 March 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

P Alex Sanderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

21 December 2012

Profit and loss account
for the year ended 29 March 2012

	<i>Note</i>	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
Turnover	2	11,681	16,611
Cost of sales		(9,357)	(13,959)
Gross profit		2,324	2,652
Administrative expenses		(1,597)	(2,139)
Operating profit		727	513
Interest receivable and similar income	5	10	5
Interest payable and similar charges	5	(852)	(879)
Loss on ordinary activities before taxation	3	(115)	(361)
Tax on loss on ordinary activities	6	61	(76)
Loss for the financial period	15	(54)	(437)

The above amounts relate entirely to the continuing activities of the company.

There were no other gains or losses recognised in the year other than those presented above.

Balance sheet
 at 29 March 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	7	22,389	22,526
Investments	8	1,616	1,616
		<u>24,005</u>	<u>24,142</u>
Current assets			
Stocks	9	1,477	1,496
Debtors	10	10,678	10,625
Cash at bank and in hand		2,666	686
		<u>14,821</u>	<u>12,807</u>
Creditors: amounts falling due within one year	11	<u>(26,942)</u>	<u>(25,011)</u>
Net current liabilities		<u>(12,121)</u>	<u>(12,204)</u>
Net assets		<u>11,884</u>	<u>11,938</u>
Capital and reserves			
Share capital	14	936	936
Capital contribution	15	1,871	1,871
Profit and loss account	15	(54)	-
Revaluation reserve	15	9,131	9,131
		<u>11,884</u>	<u>11,938</u>
Equity shareholders' funds		<u>11,884</u>	<u>11,938</u>

These financial statements were approved by the board of directors on 20 December 2012 and were signed on its behalf by:



RG Fraser
 Director

Reconciliation of Movements in Shareholders' Funds
for the year ended 29 March 2012

	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
Loss for the financial period	(54)	(437)
Dividends paid	-	(4,389)
Capital contribution	-	1,871
Opening shareholders' funds	11,938	14,893
Shareholders' funds	11,884	11,938

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

The company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared on the going concern basis, notwithstanding the loss of £54,000 incurred for the financial year and the net current liabilities of £12.1 million at the financial year end, which the directors believe to be appropriate for the following reasons. The day to day working capital requirements of Macdonald Resorts Limited are provided by the ultimate parent undertaking, Macdonald Hotels Limited. The directors of Macdonald Hotels Limited have indicated to the directors of Macdonald Resorts Limited that Macdonald Hotels Limited will continue to provide such funds as are necessary to enable it to continue and to meet its liabilities as they fall due and that Macdonald Hotels Limited will not seek repayment of the amounts currently made available. As with any company placing reliance on other group companies for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based upon the undertaking of financial support outlined above, and after making appropriate enquiries, the directors of Macdonald Resorts Limited have a reasonable expectation that Macdonald Resorts Limited has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the company's annual financial statements.

As the company is a wholly owned subsidiary of the group headed by Macdonald Hotels Limited, the company has taken advantage of the exemption contained in:

- FRS1 to prepare a cash flow statement as its cash flows are included within the consolidated cash flow statement of that company
- FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group)

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation of tangible assets to their estimated residual value by equal instalments over their estimated useful lives as follows:

Land	not depreciated
Freehold properties	50 years
Fixed plant	10-30 years
Furniture, fittings and fixtures	4-10 years
Motor vehicles	3 years

Any impairment in the value of hotel properties is charged to the profit and loss account in the financial year in which it arises unless it arises on a previously revalued property.

Post retirement benefits

The company contributes to the group defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents the contributions payable by the company to the scheme in respect of the year.

Stocks

Stocks, including unsold timeshare weeks, are stated at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

Operating leases

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

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, for all material timing differences in respect of the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on transactions are included in the profit and loss account.

2 Turnover

Turnover represents the value of goods sold and services provided during the year, net of Value Added Tax.

3 Loss on ordinary activities before taxation

	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration	24	23
Depreciation	485	903
Operating leases:		
- plant and machinery	12	52
- property	129	193

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees 2012	2011
Operations	370	404
Administration	36	45
	406	449

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
Wages and salaries	4,646	6,939
Social security costs	332	877
Pension costs	44	53
	<u>5,022</u>	<u>7,869</u>

None of the directors received any emoluments from the company during the year ended 29 March 2012 (2011: £nil).

5 Interest

	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
<i>Interest receivable and similar income</i>		
Bank interest receivable	9	-
Other interest receivable	1	5
	<u>10</u>	<u>5</u>
<i>Interest payable and similar charges</i>		
Foreign exchange (gain) / loss	(6)	245
On inter company loans	858	634
	<u>852</u>	<u>879</u>

6 Taxation

Analysis of (credit)/charge in period

	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
<i>UK corporation tax</i>		
Current year – group relief (receivable)/payable	(74)	73
Adjustments in respect of prior periods	13	3
	<u>(61)</u>	<u>76</u>
Total current tax (credit)/charge for the period		

Notes (continued)

6 Taxation (continued)

Factors affecting the tax(credit)/ charge for the current period

The current tax (credit)/charge for the period is higher (2011: higher) than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	Year ended 29 March 2012 £000	18 month period ended 31 March 2011 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(115)	(361)
Current tax at 26% (2011: 28%)	(30)	(101)
<i>Effects of:</i>		
Hotel buildings allowances	-	(37)
Expenses not deductible	-	-
Difference between capital allowances and depreciation	(44)	194
Depreciation on assets ineligible for capital allowances	-	17
Adjustments to tax charge in respect of previous periods	13	3
Total current tax (credit)/charge (see above)	(61)	76

The company has an unrecognised deferred tax asset of £746,000 (2011: £875,000) relating to excess capital allowances of £616,000 (2011: £720,000) and other short term timing differences of £130,000 (2011: £155,000) available for offset against future taxable profits. This asset has not been recognised due to uncertainty over the timing of its recoverability.

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly and further reduce the unrecognised deferred tax asset at 29 March 2012 (which has been calculated based on the rate of 24% substantively enacted at the balance sheet date). It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings £000	Assets in the course of construction £000	Fixtures, fittings and equipment £000	Fixed plant £000	Total £000
<i>Cost or valuation</i>					
At beginning of year	21,390	1,222	8,811	4,293	35,716
Additions	-	9	326	13	348
Transfers	-	(435)	435	-	-
At end of year	21,390	796	9,572	4,306	36,064
<i>Depreciation and impairment</i>					
At beginning of year	4,490	-	7,289	1,411	13,190
Charge for year	40	-	273	172	485
At end of year	4,530	-	7,562	1,583	13,675
<i>Net book value</i>					
At 29 March 2012	16,860	796	2,010	2,723	22,389
At 31 March 2011	16,900	1,222	1,522	2,882	22,526

Included in freehold land and buildings is land, including golf course land, at cost of £4,285,000 (2011: £4,285,000) which is not depreciated.

Notes (continued)

8 Fixed asset investments

	Shares in subsidiaries £000
<i>Cost</i>	
At beginning and end of year	1,616

At the year end the company held equity interests in the following companies:

	Country of incorporation or registration	Principal activity	Description of shares Held	Class and percentage of shares held
<i>Subsidiary undertakings</i>				
Forest Hills Hotel (Loch Ard Aberfoyle) Limited	England	Dormant	1,000,000 deferred £1 shares	100%
			10,000 ordinary 1p shares	100%
Macdonald Dora Lola No. 1 Limited	England	Property rental	2 ordinary £1 shares	100%
Macdonald Leila Playa No. 4 Limited	England	Property rental	2 ordinary £1 shares	100%
Winterhaven Properties Limited	Gibraltar	Non-trading	100 ordinary £1 shares	100%
Macdonald Travel Club	England	Non-trading	50,000 ordinary £1 shares	100%
Macdonald Resorts (La Ermita) Limited	Scotland	Timeshare sales	100 ordinary £1 shares	100%
Resort Hospitality Services	Spain	Laundry services	50 ordinary 10,000 Peseta shares converted into 3,005 1 Euro shares	100%
Timeshare Options Limited	Scotland	Timeshare sale and rental	1 ordinary £1 share	100%
<i>Other investments</i>				
Macdonald Multi-Ownership Spain SA	Spain	Resort management	1,500 ordinary 10,000 Peseta shares converted into 90,150 1 Euro shares	11.4%

Notes (continued)

9 Stocks

	2012 £000	2011 £000
Raw materials and consumables	134	128
Timeshare units available for sale	1,343	1,368
	<u>1,477</u>	<u>1,496</u>

10 Debtors

	2012 £000	2011 £000
Trade debtors	399	42
Amounts owed by subsidiary undertaking	9,620	9,431
Other debtors	179	242
Group relief receivable	74	-
Prepayments and accrued income	406	910
	<u>10,678</u>	<u>10,625</u>

11 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	1,159	1,586
Amounts owed to group undertakings	20,117	18,992
Amounts owed to subsidiary undertakings	486	493
Other creditors including taxation and social security	3,909	2,413
Accruals and deferred income	1,271	806
Group relief payable	-	721
	<u>26,942</u>	<u>25,011</u>

Notes (continued)

12 Commitments

At 29 March 2012 the company had annual commitments under non-cancellable operating leases as follows:

	Buildings		Other	
	2012	2011	2012	2011
	£000	£000	£000	£000
Operating leases which expire:				
- within one year	-	-	3	8
- within two to five years	-	-	4	4
- after five years	129	129	-	-
	<u>129</u>	<u>129</u>	<u>7</u>	<u>12</u>

13 Contingent liabilities

The company is party to joint and several guarantees with other group members, including Macdonald Hotels Limited, in respect of bank borrowings. The company's potential liability in respect of these guarantees at 29 March 2012 amounted to £330 million (2011: £336 million).

14 Called up share capital

	2012	2011
	£000	£000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
3,000 5% cumulative preference shares of £1 each	3	3
	<u>1,003</u>	<u>1,003</u>
<i>Allotted, called up and fully paid</i>		
936,000 ordinary shares of £1 each	936	936

15 Reserves

	Capital contribution	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000	£000
At beginning of year	1,871	9,131	-	11,002
Loss for the period	-	-	(54)	(54)
At end of year	<u>1,871</u>	<u>9,131</u>	<u>(54)</u>	<u>10,948</u>

Notes *(continued)*

16 Immediate and ultimate parent undertakings

The company is a subsidiary undertaking of Macdonald Hotels and Resorts Limited, and its ultimate parent company is Macdonald Hotels Limited. Both companies are incorporated in Scotland.

The only group in which the company's accounts are consolidated is headed by Macdonald Hotels Limited. The consolidated financial statements of Macdonald Hotels Limited, within which this company is included, can be obtained from Whiteside House, Bathgate, West Lothian EH48 2RX.