

CARNEGIE OUTPOSTS LIMITED
FINANCIAL STATEMENTS
31 OCTOBER 2002

Company Registration Number 1799743



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CARNEGIE OUTPOSTS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

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CARNEGIE OUTPOSTS LIMITED

COMPANY INFORMATION

THE BOARD OF DIRECTORS

P J de Savary
L L Paton
M A Lutyens

COMPANY SECRETARY

H Patel

REGISTERED OFFICE

69 Cadogan Gardens
London

AUDITORS

Target Consulting Limited
Chartered Accountants
& Registered Auditors
Lawrence House
Lower Bristol Road
Bath

BANKERS

The Royal Bank of Scotland plc
Inverness Chief Office
29 Harbour Road
Inverness

SOLICITORS

Evans Dodd
5 Balfour Place
Mount Street
London

CARNEGIE OUTPOSTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 2002

The directors present their report and the financial statements of the company for the year ended 31 October 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be that of hoteliers including the provision of residential accommodation and hospitality to members of the Carnegie Club and to operate as an outpost of the Carnegie Club.

FUTURE DEVELOPMENTS

The company does not foresee any major changes occurring in its trading activities in the future.

BUSINESS REVIEW

The balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £2,194,869

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

P J de Savary
L L Paton
M A Lutyens

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

FIXED ASSETS

In the opinion of the directors, the present market value of the company's properties is in excess of the amounts at which they are stated in the accounts. Details are set out in note 7.

POLICY ON THE PAYMENT OF CREDITORS

The company's policy is to pay all of its suppliers to term. During the year the number of creditors payment days was 69 days (2001 77 days).

CARNEGIE OUTPOSTS LIMITED
THE DIRECTORS' REPORT (continued)
YEAR ENDED 31 OCTOBER 2002

AUDITORS

A resolution to re-appoint Target Consulting Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



H Patel
Company Secretary

Approved by the directors on26.8.03.....

CARNEGIE OUTPOSTS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 OCTOBER 2002

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 which 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. The directors 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.

CARNEGIE OUTPOSTS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 OCTOBER 2002

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2002 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Target Consulting Limited

Target Consulting Limited
Chartered Accountants & Registered Auditors
Bath

28 August 2003

CARNEGIE OUTPOSTS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2002

	Note	2002 £	2001 £
TURNOVER	2	500,252	602,718
Cost of sales		(289,309)	(290,674)
GROSS PROFIT		210,943	312,044
Distribution costs		28,434	28,607
Administrative expenses		147,678	202,543
OPERATING PROFIT	3	34,831	80,894
Interest receivable		3,567	5,749
Interest payable	5	(16,979)	(26,649)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,419	59,994
Tax on profit on ordinary activities	6	9,372	(11,902)
RETAINED PROFIT FOR THE FINANCIAL YEAR		30,791	48,092
Balance brought forward		(468,745)	(516,837)
Balance carried forward		(437,954)	(468,745)

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

CARNEGIE OUTPOSTS LIMITED

BALANCE SHEET

31 OCTOBER 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	2,584,816	2,590,355
CURRENT ASSETS			
Stocks	8	19,804	18,583
Debtors	9	48,091	52,737
Cash at bank and in hand		73,983	160,606
		<u>141,878</u>	<u>231,926</u>
CREDITORS: Amounts falling due within one year	10	<u>(116,009)</u>	<u>(159,988)</u>
NET CURRENT ASSETS		25,869	71,938
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,610,685</u>	<u>2,662,293</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(415,816)</u>	<u>(488,038)</u>
		<u>2,194,869</u>	<u>2,174,255</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	-	(10,177)
		<u>2,194,869</u>	<u>2,164,078</u>
CAPITAL AND RESERVES			
Called-up share capital	15	1,210,282	1,210,282
Share premium account		186,617	186,617
Revaluation reserve		1,235,924	1,235,924
Profit and Loss Account		(437,954)	(468,745)
SHAREHOLDER'S FUNDS	16	<u>2,194,869</u>	<u>2,164,078</u>

These financial statements were approved by the directors on the 26.8.03, and are signed on their behalf by:



P J de Savary
Director

CARNEGIE OUTPOSTS LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 OCTOBER 2002

	Note	2002 £	2001 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	1,809	145,548
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,567	5,749
Interest paid		(17,679)	(26,649)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(14,112)	(20,900)
TAXATION		(1,725)	(785)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(3,169)	(2,288)
Receipts from sale of fixed assets		3,750	1,000
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE		581	(1,288)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(13,447)	122,575
FINANCING			
Repayment of bank loans		(72,222)	(72,222)
NET CASH OUTFLOW FROM FINANCING		(72,222)	(72,222)
(DECREASE)/INCREASE IN CASH	18	(85,669)	50,353

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

1. ACCOUNTING POLICIES**Basis of accounting**

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 25% straight line
Fixtures & Fittings	- 10% straight line
Motor Vehicles	- 10% straight line

Depreciation is not provided on the leasehold property which is a long lease. It is the company's policy to maintain this asset in a continual state of sound repair and to make improvements there on from time to time. Accordingly the directors consider that the life of this asset and residual values is such that depreciation is insignificant.

Depreciation is also not provided on any antique furniture included within fixtures and fittings. The directors consider that the life of this asset and residual values is such that depreciation is immaterial.

Stocks

Stocks are valued at the lower of cost and net realisable value. Stocks of glass, linen and china are valued at cost and all replacements are written off to the profit and loss account.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	500,252	602,718

3. OPERATING PROFIT

Operating profit is stated after charging:

Directors' emoluments	-	-
Depreciation	6,357	55,569
Auditors' remuneration		
- as auditors	3,500	3,700
- as accountants	-	1,805

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Number of customer services staff	<u>11</u>	<u>13</u>
The aggregate payroll costs of the above were:		
	2002	2001
	£	£
Wages and salaries	205,080	202,906
Social security costs	17,906	17,372
	<u>222,986</u>	<u>220,278</u>

No directors received any remuneration from the company during the year.

5. INTEREST PAYABLE

Interest payable on bank borrowing	<u>16,979</u>	<u>26,649</u>
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6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Current Tax;	£	£
Corporation Tax based on the results for the year at 30% (2001 - 30%)	805	1,725
Increase in deferred tax provision (Note 13):		
Capital allowances	(10,177)	10,177
	<u>(9,372)</u>	<u>11,902</u>

The tax assessed on the profit on ordinary activities for the year ended is lower than the standard rate of corporation tax in the UK of 30% (2001 – 30%).

Profit on ordinary activities before taxation	21,419	59,994
Profit on ordinary activities by rate of tax	6,426	17,999
Effect of accelerated capital allowances	(5,621)	6,983
Losses utilised	-	(23,257)
Total current tax	<u>805</u>	<u>1,725</u>

Factors affecting future tax charge:

A deferred tax asset of £152,628 relating to unutilised tax losses has not been recognised in accordance with FRS19.

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

7. TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST OR VALUATION					
At 1 November 2001	2,447,554	9,020	616,329	35,000	3,107,903
Additions	-	1,180	1,987	-	3,167
Disposals	-	-	(2,349)	-	(2,349)
At 31 October 2002	<u>2,447,554</u>	<u>10,200</u>	<u>615,967</u>	<u>35,000</u>	<u>3,108,721</u>
DEPRECIATION					
At 1 November 2001	-	6,205	495,293	16,050	517,548
Charge for the year	-	1,800	1,057	3,500	6,357
At 31 October 2002	<u>-</u>	<u>8,005</u>	<u>496,350</u>	<u>19,550</u>	<u>523,905</u>
NET BOOK VALUE					
At 31 October 2002	<u>2,447,554</u>	<u>2,195</u>	<u>119,617</u>	<u>15,450</u>	<u>2,584,816</u>
At 31 October 2001	<u>2,447,554</u>	<u>2,815</u>	<u>121,036</u>	<u>18,950</u>	<u>2,590,355</u>

As stated in the accounting policy note 1, no depreciation has been provided on the leasehold property as required by Financial Reporting Standard 15.

The leasehold property consists of the hotel premises at 69 Cadogan Gardens, London, SW1. The lease of these premises is for 70 years from 25 December 1985. The directors revalued the property and its contents at 31 March 1996 to £2,500,000. In their view the property's current open market value is in excess of this value.

The directors have not undertaken an external professional valuation of the leasehold property and its contents at 31 October 2002 as in their view the costs of such an exercise would outweigh any potential benefits.

Improvements to the leasehold and additions to furniture and fittings since 31 March 1996 have been capitalised at cost.

The historical cost of the leasehold property is £965,445 (2001 £965,445).

LAND AND BUILDINGS

	2002 £	2001 £
Long leasehold	<u>2,447,554</u>	<u>2,447,554</u>

Long leaseholds are those leaseholds with more than 50 years unexpired.

8. STOCKS

	2002 £	2001 £
Consumables	<u>19,804</u>	<u>18,583</u>

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

9. DEBTORS

	2002 £	2001 £
Trade debtors	20,357	16,322
Prepayments and accrued income	27,734	36,415
	<u>48,091</u>	<u>52,737</u>

10. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	72,228	73,183
Trade creditors	17,179	14,959
Other creditors including taxation		
Corporation Tax	805	1,725
PAYE and social security	5,317	4,981
VAT	9,011	14,806
Other creditors	<u>69</u>	<u>11,869</u>
	15,202	33,381
Accruals and deferred income	11,400	38,465
	<u>116,009</u>	<u>159,988</u>

11. CREDITORS: Amounts falling due after more than one year

	2002 £	2001 £
Bank loans and overdrafts	144,446	216,668
Amounts owed to group undertakings	271,370	271,370
	<u>415,816</u>	<u>488,038</u>

The bank loan is repayable in annual instalments of £72,222 to be repaid by 31 August 2005. Interest is payable on the loan at a rate equal to base rate plus 2%. Security for the bank loan and overdraft is provided by way of a debenture dated 13 June 1994 having a fixed and floating charge over the undertaking and all property and assets and a legal charge over the property.

The loan from the ultimate parent undertaking is interest free and has no fixed repayment terms. The parent undertaking has agreed not to demand repayment of this loan until 31 October 2003 at the earliest.

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

12. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2002 £	2001 £
Between one and two years	72,222	72,222
Between two and five years	415,816	488,038
	<u>488,038</u>	<u>560,260</u>

13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2002 £	2001 £
Provision brought forward	10,177	10,177
Profit and loss account movement arising during the year	(10,177)	-
Provision carried forward	<u>-</u>	<u>10,177</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	<u>-</u>	<u>10,177</u>

14. RELATED PARTY TRANSACTIONS**Transactions**

At 31 October 2002, an amount of £271,370 (2001 £271,370) was owed to Birmos Inc, the ultimate parent company. This is unsecured and no interest is charged.

Control

The company is controlled by Birmos Inc., the parent undertaking of the company. Having made enquiries of the parent undertaking, the directors are unaware of the ultimate controlling party of the company.

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

15. SHARE CAPITAL**Authorised share capital:**

	2002	2001
	£	£
4,321,526 'A' ordinary shares shares of £0.25 each	1,080,381.50	1,080,381.50
829,437 'B' ordinary shares shares of £0.50 each	414,718.50	414,718.50
4,900 Preference shares of £1.00 each	4,900.00	4,900.00
	<u>1,500,000.00</u>	<u>1,500,000.00</u>

Allotted, called up and fully paid:

	2002		2001	
	No.	£	No.	£
'A' ordinary shares shares	4,321,526.00	1,080,381.50	4,321,526.00	1,080,381.50
'B' ordinary shares shares	250,000.00	125,000.00	250,000.00	125,000.00
Preference shares	4,900.00	4,900.00	4,900.00	4,900.00
	<u>4,576,426.00</u>	<u>1,210,281.50</u>	<u>4,576,426.00</u>	<u>1,210,281.50</u>

The rights attaching to each class of share are as follows:

Preferred ordinary shares: Carry one vote per share at general meetings. Holders are entitled to paid up portion on shares in priority to other shareholders in a winding up or return of capital. The shareholders have no rights with regard to profits or surplus assets on a winding up.

'A' ordinary shares: Carry one vote per share at general meetings. Holders are entitled to participation in profits and surplus assets on a winding up once rights of preferred ordinary shareholders are met.

'B' ordinary shares: Rights are as for 'A' ordinary shares above but equating to 170 'A' shares for each 'B' share.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2002	2001
	£	£
Profit for the financial year	30,791	48,092
Opening shareholder's funds	2,164,078	2,115,986
Closing shareholder's funds	<u>2,194,869</u>	<u>2,164,078</u>
Equity shareholder's funds	2,189,969	2,159,178
Non equity shareholder's funds	4,900	4,900
	<u>2,194,869</u>	<u>2,164,078</u>

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2002

**17. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2002 £	2001 £
Operating profit	34,831	80,894
Depreciation	6,357	55,569
Profit on fixed asset disposals	(1,400)	-
Decrease/(Increase) in stocks	(1,221)	431
Decrease/(Increase) in debtors	4,646	26,172
(Decrease)/Increase in creditors	(41,404)	(17,518)
Net cash inflow from operating activities	<u>1,809</u>	<u>145,548</u>

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
(Decrease)/Increase in cash in the period	(85,669)	50,353
Net cash outflow from bank loans	<u>72,222</u>	<u>72,222</u>
	(13,447)	122,575
Change in net debt	(13,447)	122,575
Net debt at 1 November 2001	(400,615)	(523,190)
Net debt at 31 October 2002	<u>(414,062)</u>	<u>(400,615)</u>

19. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Nov 2001 £	Cash flows £	Non cash movement £	At 31 Oct 2002 £
Net cash:				
Cash in hand and at bank	160,606	(86,623)	-	73,983
Overdrafts	(961)	954	-	(7)
	<u>159,645</u>	<u>(85,669)</u>	<u>-</u>	<u>73,976</u>
Debt:				
Debt due within 1 year	(72,222)	72,222	(72,222)	(72,222)
Debt due after 1 year	(488,038)	-	72,222	(415,816)
Net debt	<u>(400,615)</u>	<u>(13,447)</u>	<u>-</u>	<u>(414,062)</u>

20. ULTIMATE PARENT COMPANY

The ultimate parent company is Birmos Inc. incorporated in the Bahamas.