

CARNEGIE OUTPOSTS LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2001

Company Registration Number 1799743



The David Naish Partnership
CHARTERED ACCOUNTANTS



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CARNEGIE OUTPOSTS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

CONTENTS	PAGES
Company information	1
The directors' report	2 to 3
Statement of directors' responsibilities	4
Independent auditors' report to the shareholder	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 to 15
The following pages do not form part of the financial statements	
Detailed profit and loss account	17
Notes to the detailed profit and loss account	18

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

The David Naish Partnership
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 2001

The directors present their report and the financial statements of the company for the year ended 31 October 2001.

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 £2,164,078.

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 5.

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 77 days (2000 98 days).

CARNEGIE OUTPOSTS LIMITED
THE DIRECTORS' REPORT (continued)
YEAR ENDED 31 OCTOBER 2001

AUDITORS

A resolution to re-appoint The David Naish Partnership 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 on 29 July 2002

CARNEGIE OUTPOSTS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 OCTOBER 2001

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 SHAREHOLDER****YEAR ENDED 31 OCTOBER 2001**

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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.

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.

However, the information available to us was limited in respect of the revaluation of the leasehold property and its contents to £2,500,000 made at 31 March 1996 carried out by the directors during that year. The directors estimate of the market value of the property is based on their own financial projections and opinions of market conditions. There was no satisfactory audit procedures that we could adopt to confirm the directors' assessment of market value. Any adjustment to this figure would also have a consequential effect on the revaluation reserve.

QUALIFIED OPINION

Except for any adjustments to the financial statements that might have been found to be necessary had we been able to obtain sufficient third party evidence concerning the revaluation of the leasehold property, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2001 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

the David Naish partnership

The David Naish Partnership
Chartered Accountants & Registered Auditors
Bath

..... 30th July 2002

CARNEGIE OUTPOSTS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2001

	Note	2001 £	2000 £
TURNOVER	2	602,718	699,820
Cost of sales		290,674	334,095
GROSS PROFIT		312,044	365,725
Distribution costs		28,607	32,758
Administrative expenses		202,543	208,856
OPERATING PROFIT	3	80,894	124,111
Interest receivable		5,749	2,617
Interest payable	5	(26,649)	(33,530)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		59,994	93,198
Tax on profit on ordinary activities	6	(11,902)	(785)
RETAINED PROFIT FOR THE FINANCIAL YEAR		48,092	92,413
Balance brought forward		(516,837)	(609,250)
Balance carried forward		<u>(468,745)</u>	<u>(516,837)</u>

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 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	2,590,355	2,644,636
CURRENT ASSETS			
Stocks	8	18,583	19,014
Debtors	9	52,737	78,909
Cash at bank and in hand		<u>160,606</u>	<u>109,292</u>
		231,926	207,215
CREDITORS: Amounts falling due within one year	10	<u>(159,988)</u>	<u>(175,605)</u>
NET CURRENT ASSETS		71,938	31,610
TOTAL ASSETS LESS CURRENT LIABILITIES		2,662,293	2,676,246
CREDITORS: Amounts falling due after more than one year	11	<u>(488,038)</u>	<u>(560,260)</u>
		2,174,255	2,115,986
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	<u>(10,177)</u>	-
		<u>2,164,078</u>	<u>2,115,986</u>
CAPITAL AND RESERVES			
Called-up equity 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		<u>(468,745)</u>	<u>(516,837)</u>
SHAREHOLDER'S FUNDS	16	<u>2,164,078</u>	<u>2,115,986</u>

These financial statements were approved by the directors on the 29th January 2002, and are signed on their behalf by:

P J de Savary
Director

CARNEGIE OUTPOSTS LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 OCTOBER 2001

	Note	2001 £	£	2000 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	17		145,548		164,763
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		5,749		2,617	
Interest paid		(26,649)		(33,530)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(20,900)		(30,913)
TAXATION			(785)		-
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(2,288)		(14,973)	
Receipts from sale of fixed assets		1,000		-	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(1,288)		(14,973)
CASH INFLOW BEFORE FINANCING			122,575		118,877
FINANCING					
Repayment of bank loans		(72,222)		(72,222)	
NET CASH OUTFLOW FROM FINANCING			(72,222)		(72,222)
INCREASE IN CASH	18		50,353		46,655

The notes on pages 9 to 15 form part of these financial statements.

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

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 repairs 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 insignificant.

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:

	2001 £	2000 £
United Kingdom	<u>602,718</u>	<u>699,820</u>

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

3. OPERATING PROFIT

Operating profit is stated after charging:

	2001 £	2000 £
Directors' emoluments	-	-
Depreciation	55,569	55,418
Auditors' remuneration		
- as auditors	3,700	3,500
- as accountants	<u>1,805</u>	<u>4,215</u>

4. PARTICULARS OF EMPLOYEES

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

	2001 No.	2000 No.
Number of distribution staff	<u>13</u>	<u>14</u>

The aggregate payroll costs of the above were:

	2001 £	2000 £
Wages and salaries	202,906	229,816
Social security costs	<u>17,372</u>	<u>19,562</u>
	<u>220,278</u>	<u>249,378</u>

5. INTEREST PAYABLE

	2001 £	2000 £
Interest payable on bank borrowing	<u>26,649</u>	<u>33,530</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Corporation Tax based on the results for the year at 30% (2000 - 20%)	1,725	785
Increase in deferred tax provision (Note 13):		
Capital allowances	<u>10,177</u>	-
	<u>11,902</u>	<u>785</u>

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

7. TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST OR VALUATION					
At 1 November 2000	2,447,554	8,621	615,440	35,000	3,106,615
Additions	-	399	1,889	-	2,288
Disposals	-	-	(1,000)	-	(1,000)
At 31 October 2001	<u>2,447,554</u>	<u>9,020</u>	<u>616,329</u>	<u>35,000</u>	<u>3,107,903</u>
DEPRECIATION					
At 1 November 2000	-	4,254	445,175	12,550	461,979
Charge for the year	-	1,951	50,118	3,500	55,569
At 31 October 2001	<u>-</u>	<u>6,205</u>	<u>495,293</u>	<u>16,050</u>	<u>517,548</u>
NET BOOK VALUE					
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>
At 31 October 2000	<u>2,447,554</u>	<u>4,367</u>	<u>170,265</u>	<u>22,450</u>	<u>2,644,636</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 2001 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 (2000 £965,445).

LAND AND BUILDINGS

	2001 £	2000 £
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

	2001 £	2000 £
Finished goods	<u>18,583</u>	<u>19,014</u>

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

9. DEBTORS

	2001 £	2000 £
Trade debtors	16,322	34,930
Other debtors	-	782
Prepayments and accrued income	36,415	43,197
	<u>52,737</u>	<u>78,909</u>

10. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	73,183	72,222
Trade creditors	14,959	29,871
Other creditors including taxation		
Corporation Tax	1,725	785
PAYE and social security	4,981	6,424
VAT	14,806	22,214
Other creditors	<u>11,869</u>	<u>1,565</u>
	33,381	30,988
Accruals and deferred income	38,465	42,524
	<u>159,988</u>	<u>175,605</u>

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

	2001 £	2000 £
Bank loans and overdrafts	216,668	288,890
Amounts owed to group undertakings	271,370	271,370
	<u>488,038</u>	<u>560,260</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 2002 at the earliest.

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

12. CREDITORS - CAPITAL INSTRUMENTS

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

	2001 £	2000 £
Between one and two years	72,222	72,222
Between two and five years	488,038	560,260
	<u>560,260</u>	<u>632,482</u>

13. DEFERRED TAXATION

	2001 £	2000 £
The movement in the deferred taxation provision during the year was:		
Provision for year	10,177	-
Provision carried forward	<u>10,177</u>	<u>-</u>

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

	2001 £	2000 £
Excess of taxation allowances over depreciation on fixed assets	<u>10,177</u>	<u>-</u>

14. RELATED PARTY TRANSACTIONS**Transactions**

At 31 October 2001, an amount of £271,370 (2000 £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 2001

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

	2001 £	2000 £
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:

Noted, called up and fully paid.

	2001		2000	
	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

	2001 £	2000 £
Profit for the financial year	48,092	92,413
Opening shareholder's equity funds	2,115,986	2,023,573
Closing shareholder's equity funds	<u>2,164,078</u>	<u>2,115,986</u>

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

	2001 £	2000 £
Operating profit	80,894	124,111
Depreciation	55,569	55,418
Decrease/(Increase) in stocks	431	(636)
Decrease/(Increase) in debtors	26,172	(17,103)
(Decrease)/Increase in creditors	(17,518)	2,973
Net cash inflow from operating activities	<u>145,548</u>	<u>164,763</u>

CARNEGIE OUTPOSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2001

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

	2001		2000	
	£	£	£	£
Increase in cash in the period	50,353		46,655	
Net cash outflow from bank loans	<u>72,222</u>		<u>72,222</u>	
		<u>122,575</u>		<u>118,877</u>
Change in net debt		122,575		118,877
Net debt at 1 November 2000		<u>(523,190)</u>		<u>(642,067)</u>
Net debt at 31 October 2001		<u>(400,615)</u>		<u>(523,190)</u>

19. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Nov 2000	Cash flows	At 31 Oct 2001
	£	£	£
Net cash:			
Cash in hand and at bank	109,292	51,314	160,606
Overdrafts	<u>-</u>	<u>(961)</u>	<u>(961)</u>
	<u>109,292</u>	<u>50,353</u>	<u>159,645</u>
Debt:			
Debt due within 1 year	(72,222)	-	(72,222)
Debt due after 1 year	<u>(560,260)</u>	<u>72,222</u>	<u>(488,038)</u>
Net debt	<u>(523,190)</u>	<u>122,575</u>	<u>(400,615)</u>

20. ULTIMATE PARENT COMPANY

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