

125259

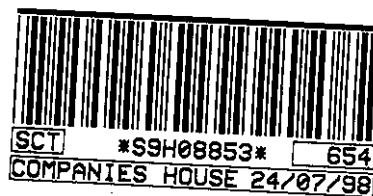
SKIBO LIMITED

REPORT AND ACCOUNTS

for the year ended

31 October 1997

ch



SKIBO LIMITED

INDEX TO THE ACCOUNTS

for the year ended 31 October 1997

| | Page |
|------------------------------------|--------|
| Officers and professional advisers | 1 |
| Directors' report | 2 - 3 |
| Auditors' report | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Cash flow statement | 7 - 8 |
| Notes to the accounts | 9 - 19 |

SKIBO LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

COMPANY NUMBER 125259 (Scotland)

DIRECTORS P J de Savary
Mrs L L de Savary

SECRETARY Ms A Thompson

REGISTERED OFFICE Skibo Castle
Dornoch
Sutherland
IV24 3RQ

AUDITORS MacKenzie Kerr
Chartered Accountants and Registered Auditors
Redwood
19 Culduthel Road
Inverness
IV2 4AA

PRINCIPAL BANKERS Royal Bank of Scotland plc
29 Harbour Road
Inverness
IV1 1NU

SOLICITORS Shepherd & Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

Arthur & Carmichael
Cathedral Square
Dornoch
Sutherland
IV25 3SW

SKIBO LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1997

The directors present their report and accounts for the year ended 31 October 1997.

RESULTS AND DIVIDENDS

The profit for the year amounted to £710,698 and is dealt with as shown in note 19. No dividend is proposed.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the parent company during the year were the running of an international residential golf and sporting club with accommodation and extensive leisure facilities and the growing and selling of crops.

The subsidiary companies, Skibo Golf Limited and Skibo Contracting Limited, did not trade during the year.

The Carnegie Club at Skibo Castle formally opened on 1 April 1995. The directors have been delighted with the establishment of business in the third proper operational year. Members from 30 countries have joined the Club and the level of membership has exceeded expectations. The response from members and guests to the facilities at Skibo has been overwhelmingly positive and the directors are pleased with the company's performance in the long term establishment of its business. The prospects for 1998 are very encouraging and the directors feel confident in the long term viability of the Carnegie Club at Skibo.

FUTURE DEVELOPMENTS

An agreement is currently being negotiated between Skibo Limited and Carnegie International Corporation in respect of franchising fees for the The Carnegie Club.

FIXED ASSETS

The significant changes in tangible fixed assets arose principally from movements in land and buildings. Details of the company's fixed assets are in notes 8 and 9 of the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the share capital of the company at that date and at the beginning of the year, were as follows:

| | Number of shares | |
|-------------------|-------------------|-------------------|
| | 1997 | 1996 |
| P J de Savary | - | - |
| Mrs L L de Savary | - | - |
| | <u> </u> | <u> </u> |

The directors have no interest in the share capital of any other group company.

DIRECTORS' REPORT

for the year ended 31 October 1997 (continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts 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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made various charitable contributions totalling £9,443.

AUDITORS

The auditors, MacKenzie Kerr, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the board



Ms A. Thompson
Secretary

Approved by the board: 11 March 1998

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SKIBO LIMITED**

for the year ended 31 October 1997

We have audited the accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Qualified opinion arising from non standard accounting treatment

As explained in note 1, no provision has been made for the depreciation of freehold buildings. Fixtures and fittings are dealt with as described in note 8. This is not in accordance with the requirements of Statement of Standard Accounting Practice No.12 and of Schedule 4 of the Companies Act 1985. It is not practicable for us to quantify the effect of this non provision.

Except for the absence of this provision, in our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MacKenzie Kerr

MacKenzie Kerr

Chartered Accountants and Registered Auditors
Redwood
19 Culduthel Road
Inverness
IV2 4AA

11 March 1998

SKIBO LIMITED**PROFIT AND LOSS ACCOUNT**

for the year ended 31 October 1997

| | Notes | 1997 £ | 1996 £ |
|--|--------------|------------------|------------------|
| TURNOVER | 2 | 4,183,605 | 3,022,784 |
| Cost of sales | | (669,619) | (442,500) |
| GROSS PROFIT | | 3,513,986 | 2,580,284 |
| Administrative and establishment expenses | | (2,621,242) | (2,495,132) |
| Other operating income | | 54,286 | 62,700 |
| OPERATING PROFIT | 3 | 947,030 | 147,852 |
| Interest receivable | 4 | 50,668 | 72,334 |
| Interest payable | 5 | (273,376) | (209,964) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 724,322 | 10,222 |
| Taxation | 6 | (13,624) | - |
| PROFIT FOR THE FINANCIAL YEAR | 18/19 | 710,698 | 10,222 |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

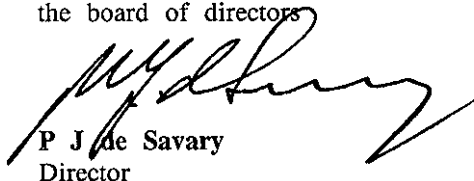
The company has no recognised gains or losses other than the profit for the above two financial years.

SKIBO LIMITED
BALANCE SHEET

as at 31 October 1997

| | | 1997 | 1996 |
|------------------------------|-------|-------------------|-------------------|
| | Notes | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | 8 | 26,343,060 | 25,139,642 |
| Investments | 9 | 4 | 54 |
| | | <u>26,343,064</u> | <u>25,139,696</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 260,775 | 78,331 |
| Debtors | 11 | 1,025,338 | 676,026 |
| Cash at bank and in hand | | 958,748 | 1,624,488 |
| | | <u>2,244,861</u> | <u>2,378,845</u> |
| CREDITORS: amounts | | | |
| falling due within one | | | |
| year | 12 | (1,266,503) | (1,640,357) |
| | | <u>978,358</u> | <u>738,488</u> |
| NET CURRENT ASSETS | | | |
| | | <u>27,321,422</u> | <u>25,878,184</u> |
| TOTAL ASSETS LESS | | | |
| CURRENT LIABILITIES | | | |
| | | | |
| CREDITORS: Amounts | | | |
| falling due after more | | | |
| than one year | 13 | (14,856,944) | (14,343,055) |
| ACCRUALS AND DEFERRED | | | |
| INCOME | 15 | (1,307,878) | (1,089,227) |
| | | <u>11,156,600</u> | <u>10,445,902</u> |
| NET ASSETS | | | |
| | | <u>11,156,600</u> | <u>10,445,902</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 10,000 | 10,000 |
| Revaluation reserve | 17 | 14,280,715 | 14,280,715 |
| Profit and loss account | 18 | (3,134,115) | (3,844,813) |
| EQUITY SHAREHOLDERS' | | | |
| FUNDS | 19 | <u>11,156,600</u> | <u>10,445,902</u> |

Signed on behalf of
the board of directors



P J de Savary
Director

Approved by the board: 11 March 1998

SKIBO LIMITED**CASH FLOW STATEMENT**

for the year ended 31 October 1997

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

| | 1997 £ | 1996 £ |
|---|----------------|----------------|
| Operating profit | 947,030 | 147,852 |
| Depreciation charges | 62,922 | 61,578 |
| Loss/(gain) on disposal of fixed assets | 3,009 | (1,333) |
| Deferred income released | (35,227) | (28,927) |
| (Increase) in stocks | (182,444) | (50,533) |
| (Increase) in debtors | (95,433) | (398,921) |
| (Decrease)/increase in trade and other creditors | (209,018) | 745,192 |
| Net cash inflow from operating activities | <u>490,839</u> | <u>474,908</u> |

CASH FLOW STATEMENT (Note 1)

| | 1997 £ | 1996 £ |
|---|--------------------|------------------|
| Net cash inflow from operating activities | 490,839 | 474,908 |
| Returns on investments and servicing of finance (note 1) | (222,708) | (137,630) |
| Taxation | (13,624) | - |
| Capital expenditure (note 1) | (1,269,299) | (787,136) |
| | <u>(1,014,792)</u> | <u>(449,858)</u> |
| Financing (note 1) | 225,000 | 725,000 |
| (Decrease)/increase in cash | <u>(789,792)</u> | <u>275,142</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 2)

| | 1997 £ | 1996 £ |
|---|---------------------|---------------------|
| (Decrease)/increase in cash in the year | (789,792) | 275,142 |
| Increase in new bank loan | (225,000) | (725,000) |
| Cash used to repay creditors | 84,964 | 281,369 |
| Change in net debt | <u>(805,775)</u> | <u>(168,489)</u> |
| Net debt at 1 November 1996 | <u>(14,358,924)</u> | <u>(14,190,434)</u> |
| Net debt at 31 October 1997 (note 2) | <u>(15,164,699)</u> | <u>(14,358,923)</u> |

SKIBO LIMITED**CASH FLOW STATEMENT**

for the year ended 31 October 1997 (continued)

NOTES TO THE CASH FLOW STATEMENT**NOTE 1****Gross Cash Flows****Returns on investments and servicing of finance**

| | | |
|-------------------|-----------|-----------|
| Interest received | 50,668 | |
| Interest paid | (273,376) | |
| | | (222,708) |

Capital expenditure

| | | |
|---|-------------|-------------|
| Disposal of investment | 50 | |
| Payments to acquire tangible fixed assets | (1,321,434) | |
| Receipts from sale of tangible fixed assets | 52,085 | |
| | | (1,269,299) |

Financing

| | | |
|----------------------------|---------|---------|
| Increase in bank term loan | 225,000 | |
| | | 225,000 |

ANALYSIS OF CHANGES IN NET DEBT**NOTE 2**

| | At 1 Nov 1996 | Cash Flows | Other Changes | At 31 Oct 1997 |
|--------------------------|---------------------|------------------|------------------|---------------------|
| Cash at bank and in hand | 1,624,488 | (665,740) | | 958,748 |
| Bank overdraft | - | (62,026) | | (62,026) |
| | <u>1,624,488</u> | <u>(727,766)</u> | | <u>896,722</u> |
| Debt due within one year | (1,640,357) | 146,991 | 288,889 | (1,204,477) |
| Debt due after one year | (14,343,055) | (225,000) | (288,889) | (14,856,944) |
| TOTAL | <u>(14,358,924)</u> | <u>(805,775)</u> | <u>-</u> | <u>(15,164,699)</u> |

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards (except as indicated in note 8).

Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings, including fixtures and fittings.

Depreciation of tangible fixed assets

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

| | |
|---------------------|----------------------|
| Tools and equipment | 20% reducing balance |
| Motor vehicles | 25% reducing balance |

No depreciation is provided for on freehold buildings, which represents a departure from Statement of Standard Accounting Practice No.12. Fixtures and fittings are dealt with as described in note 8.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

1. ACCOUNTING POLICIES (continued)

Deferred government grants

Regional development grants in respect of capital expenditure are credited to the profit and loss account over the estimated useful life of the relevant fixed assets. The grants shown in the balance sheet represent the total grants receivable to date less the amount so far credited to the profit and loss account.

Grants of a revenue nature are credited to income in the period to which they relate.

These grants have been received to encourage the company to invest in Skibo Castle thereby creating jobs and stimulating the local economy. The grants are not repayable except in the limited circumstances described in note 20 and the directors consider the possibility of this happening to be extremely remote.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

2. TURNOVER

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year. All turnover was derived from activities within the UK.

3. OPERATING PROFIT

| | 1997 £ | 1996 £ |
|---|---------------|----------------|
| (a) The operating profit is stated after charging:- | | |
| Depreciation | 62,922 | 61,578 |
| Auditors remuneration | 7,000 | 8,000 |
| Operating lease rentals - plant and machinery | 8,047 | 8,286 |
| | <u>77,969</u> | <u>77,864</u> |
| and after crediting:- | | |
| Grants released | 35,227 | 28,927 |
| | <u>42,742</u> | <u>106,791</u> |

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1997 (continued)

4. INTEREST RECEIVABLE

| | 1997 £ | 1996 £ |
|---------------------------|---------------|---------------|
| Bank interest receivable | 49,793 | 63,146 |
| Other interest receivable | 875 | 9,188 |
| | <u>50,668</u> | <u>72,334</u> |

5. INTEREST PAYABLE

| | 1997 £ | 1996 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | <u>273,376</u> | <u>209,964</u> |

6. TAXATION

| | 1997 £ | 1996 £ |
|------------------------------|---------------|-----------|
| U.K. Corporation Tax payable | <u>13,624</u> | <u>-</u> |

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

7. STAFF COSTS

| | 1997 £ | 1996 £ |
|-----------------------|------------------|----------------|
| Wages and salaries | 1,019,041 | 832,976 |
| Social security costs | 83,919 | 65,500 |
| | <u>1,102,960</u> | <u>898,476</u> |

The average weekly number of employees during the year was as follows:-

| | 1997 No. | 1996 No. |
|-------------------------------|-------------|-------------|
| Management and administration | 21 | 19 |
| Hotel | 66 | 40 |
| Golf course | 19 | 15 |
| General estate | 23 | 23 |
| | <u>129</u> | <u>97</u> |

Distribution of profit to staff does not form part of the staff contractual terms of employment. The payment is not related to any particular year nor is it annual. It is an amount, at the company's discretion, on an ex gratia basis, and may or may not be paid in the future.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

8. TANGIBLE FIXED ASSETS

| | Freehold Land and Buildings inc Fixtures and Fittings £ | Tools and Equipment £ | Motor Vehicles £ | Total £ |
|--------------------------|---|-----------------------------|------------------------|-------------------|
| Cost or valuation | | | | |
| At 1 November 1996 | 24,829,538 | 205,394 | 280,210 | 25,315,142 |
| Additions | 1,192,640 | 16,764 | 112,030 | 1,321,434 |
| Disposals | (25,000) | - | (58,777) | (83,777) |
| At 31 October 1997 | <u>25,997,178</u> | <u>222,158</u> | <u>333,463</u> | <u>26,552,799</u> |
| Depreciation | | | | |
| At 1 November 1996 | - | 78,311 | 97,189 | 175,500 |
| Charge for year | - | 26,469 | 36,453 | 62,922 |
| Disposals | - | - | (28,683) | (28,683) |
| At 31 October 1997 | <u>-</u> | <u>104,780</u> | <u>104,959</u> | <u>209,739</u> |
| Net book value | | | | |
| At 31 October 1997 | <u>25,997,178</u> | <u>117,378</u> | <u>228,504</u> | <u>26,343,060</u> |
| At 31 October 1996 | <u>24,829,538</u> | <u>127,083</u> | <u>183,021</u> | <u>25,139,642</u> |

As explained in note 1, depreciation has not been provided for on freehold buildings, including fixtures and fittings. The company follows a programme of continual refurbishment and maintenance of its freehold property, including fixtures and fittings, which includes the reinstatement of the fabric of the buildings, where necessary, in order to maintain them to a high standard. Accordingly, in the opinion of the directors, any element of depreciation would be immaterial and no provision has been made.

Land and buildings, including fixtures and fittings, were revalued in 1994 at an open market value of £24,000,000 on the assumption that the property had reached a trading maturity in accordance with the published business plan, as at the valuation date. Having reviewed the company's achievements to date and its future prospects, the directors are of the opinion that the value of the company's freehold land and buildings at 31 October 1997 is in excess of £25,997,178.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

9. INVESTMENTS

| | 1997 £ | 1996 £ |
|-------------------------|-----------|-----------|
| Subsidiary undertakings | <u>4</u> | <u>54</u> |

The company's investment in its subsidiary companies represents the cost of the acquisition of the ordinary share capital of Skibo Golf Limited and Skibo Contracting Limited, companies registered in Scotland.

At 31 October 1997, the aggregate of share capital and reserves in respect of the subsidiary undertakings, who have not traded since incorporation, consisted only of the allotted and unpaid share capital.

10. STOCKS

| | 1997 £ | 1996 £ |
|--------|----------------|---------------|
| Stocks | <u>260,775</u> | <u>78,331</u> |

11. DEBTORS

| | 1997 £ | 1996 £ |
|--------------------------------|------------------|----------------|
| Trade debtors | 286,345 | 329,683 |
| Sundry debtors | 281,097 | 214,602 |
| Prepayments and accrued income | 204,018 | 131,741 |
| CASE grants receivable | 253,878 | - |
| | <u>1,025,338</u> | <u>676,026</u> |

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

12. CREDITORS: amounts falling due within one year

| | 1997 £ | 1996 £ |
|--|------------------|------------------|
| Bank term loans and overdrafts (secured) | 137,025 | 363,889 |
| Trade creditors | 427,577 | 304,446 |
| Amounts owed to parent company | 262,764 | 428,874 |
| Taxes and social security costs | 214,347 | 201,279 |
| Sundry creditors | 43,262 | 39,998 |
| Accruals | 181,528 | 301,871 |
| | <u>1,266,503</u> | <u>1,640,357</u> |

The bank business term loan included above carries interest at bank base rate plus 1.75% per annum and is repayable in 10 annual instalments commencing 30 November 1997. The first annual instalment is in the sum of £75,000, the second annual instalment is in the sum of £225,000, thereafter there will be eight remaining annual instalments in the sum of £400,000. The final payment is due on 30 November 2006.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

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

| | 1997 £ | 1996 £ |
|---|-------------------|-------------------|
| Loans wholly repayable within five years: | | |
| Carnegie International Corporation loan (no fixed terms of repayment other than no repayments due within one year) | 11,431,944 | 11,431,944 |
| Loans repayable outwith five years: | | |
| Bank business term loan at bank base rate plus 1.75% per annum repayable in 9 annual instalments commencing 30 November 1998. The first instalment being £225,000, thereafter eight instalments of £400,000 with the final payment due on 30 November 2006. | 3,425,000 | 2,911,111 |
| | <u>14,856,944</u> | <u>14,343,055</u> |

Carnegie International Corporation owns 100% of the issued share capital of the company.

| | 1997 £ | 1996 £ |
|---|-------------------|-------------------|
| Amounts repayable by instalments: | | |
| Within two to five years | 1,025,000 | 1,091,667 |
| After five years | 2,400,000 | 1,819,444 |
| | <u>3,425,000</u> | <u>2,911,111</u> |
| Amounts payable within five years other than by instalments | 11,431,944 | 11,431,944 |
| | <u>14,856,944</u> | <u>14,343,055</u> |

The bank loan and overdraft and the Carnegie International Corporation loan are secured by a standard security over Skibo Castle and Estate and by a bond and floating charge over the whole of the assets of the company in accordance with the terms of a ranking agreement as follows:

- 1st - Royal Bank of Scotland plc, standard security for £3,533,927 plus interest and charges.
- 2nd - Carnegie International Corporation, standard security - unlimited on reversion.
- 3rd - Mrs Lucille Lanette de Savary, standard security for £545,000.
- 4th - Royal Bank of Scotland plc, standard security - unlimited on reversion.
- 5th - Royal Bank of Scotland plc, bond and floating charge - unlimited.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

No provision has been made in the accounts for the following amounts as the directors have no intention at this time of selling the property in the foreseeable future. Disclosure is required in the accounts to comply with Statement of Standard Accounting Practice No.15, Accounting for Deferred Tax.

| | 1997 £ | 1996 £ |
|--|------------------|------------------|
| Potential deferred taxation not provided in the accounts is as follows: | | |
| Taxation on property valuation surplus | <u>4,100,000</u> | <u>4,250,000</u> |

15. ACCRUALS AND DEFERRED INCOME

| | 1997 £ | 1996 £ |
|-----------------------------------|------------------|------------------|
| Deferred government grants | | |
| Balance at 1 November 1996 | 1,089,227 | 952,932 |
| Received during the year | - | 165,222 |
| Grants receivable | 253,878 | - |
| Released during the year | <u>(35,227)</u> | <u>(28,927)</u> |
| Balance at 31 October 1997 | <u>1,307,878</u> | <u>1,089,227</u> |

Grants receivable relate to Building and Development grants applied for to Caithness and Sutherland Enterprise during the year. These amounts are due to be paid to Skibo Limited after certain pre-conditions laid down by C.A.S.E. have been satisfied.

These grants have been received to encourage the company to invest in Skibo Castle thereby creating jobs and stimulating the local economy. The grants are not repayable except in the limited circumstances referred to in note 20 and the directors consider the possibility of this happening to be extremely remote.

16. CALLED UP SHARE CAPITAL

| | 1997 £ | 1996 £ |
|---|---------------|---------------|
| Authorised, allotted, called up and fully paid | | |
| Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

17. REVALUATION RESERVE

| | 1997 £ | 1996 £ |
|--|-------------------|-------------------|
| Balance at 1 November 1996 and at 31 October 1997 | <u>14,280,715</u> | <u>14,280,715</u> |

The revaluation reserve relates entirely to freehold land and buildings, including fixtures and fittings, which are not depreciated and represents the difference between the revaluation figure and historical cost.

18. PROFIT AND LOSS ACCOUNT

| | 1997 £ | 1996 £ |
|-------------------------------------|--------------------|--------------------|
| Accumulated loss at 1 November 1996 | (3,844,813) | (3,855,035) |
| Profit for the year | <u>710,698</u> | <u>10,222</u> |
| Accumulated loss at 31 October 1997 | <u>(3,134,115)</u> | <u>(3,844,813)</u> |

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1997 £ | 1996 £ |
|-------------------------------|-------------------|-------------------|
| PROFIT FOR THE FINANCIAL YEAR | 710,698 | 10,222 |
| Opening shareholders' funds | <u>10,445,902</u> | <u>10,435,680</u> |
| CLOSING SHAREHOLDERS' FUNDS | <u>11,156,600</u> | <u>10,445,902</u> |

20. CONTINGENT LIABILITIES

During the year, the company applied to Caithness and Sutherland Enterprise for grant assistance towards the cost of building and developing Phase IV of the project. The grant application was submitted in July of this year. Before C.A.S.E. release the grant to the company, certain pre-conditions have to be met. The grants are included in debtors.

There is a "period of obligation" applicable to all grants included in accruals and deferred income in the balance sheet, which is three years for development grants and five years for building grants. Default by the company on any of the terms and conditions attached to the payment of grants could lead to the repayment of the grants on a sliding scale basis. The directors consider the possibility of any default by the company to be extremely remote.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1997 (continued)

21. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Carnegie International Corporation, a company registered in the Bahamas.

The parent undertaking of the smallest group, of which the company is a member, and for which group accounts are prepared, is Carnegie International Corporation, a company registered in the Bahamas.

The parent undertaking of the largest group, of which the company is a member, and for which group accounts are prepared, is also Carnegie International Corporation.

22. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Carnegie International Corporation the company has taken advantage of the exemption from disclosure of transactions with group companies offered by Financial Reporting Standard No 8, Related Party Disclosures.

During the year, the company purchased consultancy services to the value of £150,000 (1996 - £37,500) and made payments of £625 on behalf of Bathealton Limited, a company in which P J de Savary and Mrs L L de Savary are materially interested as shareholders.