

SKIBO LIMITED
REPORT AND ACCOUNTS
for the year ended
31 October 1996

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Company Number : 125259 (Scotland)

SKIBO LIMITED

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SKIBO LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J de Savary
Mrs L L de Savary

SECRETARIES

Mrs S Hopkins (resigned 30 June 1996)
Ms A Thompson

REGISTERED OFFICE

Skibo Castle
Dornoch
Sutherland
IV24 3RQ

AUDITORS

MacKenzie Kerr (formerly Angus MacKenzie & Company)
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

SKIBO LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1996

The directors present their report and accounts for the year ended 31 October 1996.

RESULTS AND DIVIDENDS

The profit for the year amounted to £10,222, 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 second 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 1997 are very encouraging and the directors feel confident in the long term viability of the Carnegie Club at Skibo. It is the intention of the Carnegie Club to establish other facilities internationally.

FUTURE DEVELOPMENTS

An agreement is currently being negotiated between Skibo Limited and Carnegie International Corporation in respect of franchising fees for 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	
	1996	1995
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.

SKIBO LIMITED

DIRECTORS' REPORT

for the year ended 31 October 1996 (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 result 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 £1,160.

AUDITORS

The auditors, MacKenzie Kerr (formerly Angus Mackenzie & Company), will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of
the board of directors



P. J. de Savary
Director

Approved by the board: 25 March 1997

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SKIBO LIMITED**
for the year ended 31 October 1996

We have audited the accounts on pages 5 to 20 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 1996 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

25 March 1997

SKIBO LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 October 1996

	Notes	1996 £	1995 £
TURNOVER	2	3,022,784	1,462,107
Cost of sales		(741,369)	(473,007)
GROSS PROFIT		<u>2,281,415</u>	<u>989,100</u>
Administrative and establishment expenses		(2,197,596)	(1,437,259)
Other operating income		64,033	22,078
OPERATING PROFIT/(LOSS)	3	<u>147,852</u>	<u>(426,081)</u>
Interest receivable	4	72,334	35,737
Interest payable	5	(209,964)	(283,604)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>10,222</u>	<u>(673,948)</u>
Taxation	6	-	-
PROFIT FOR THE FINANCIAL YEAR	19	<u><u>10,222</u></u>	<u><u>(673,948)</u></u>

CONTINUING OPERATIONS

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £	1995 £
Profit for the financial year	10,222	(673,948)
Unrealised deficit on revaluation of freehold land and buildings including fixtures and fittings	-	(1,184,103)
Total recognised gains and losses related to the year	<u><u>10,222</u></u>	<u><u>(1,858,051)</u></u>

SKIBO LIMITED**PROFIT AND LOSS ACCOUNT**

for the year ended 31 October 1996 (continued)

	1996 £	1995 £
Note on prior period adjustment		
Total recognised gains and losses related to the year	10,222	(1,858,051)
Prior period adjustment	-	(1,096,379)
Total gains and losses recognised since last annual report	<u>10,222</u>	<u>(2,954,430)</u>

SKIBO LIMITED
BALANCE SHEET
as at 31 October 1996

		1996	1995
	Notes	£	£
FIXED ASSETS			
Tangible assets	8	25,139,641	24,247,581
Investments	9	54	4
		<u>25,139,695</u>	<u>24,247,585</u>
CURRENT ASSETS			
Stocks	10	78,331	27,798
Debtors	11	676,026	277,105
Cash at bank and in hand	12	1,624,488	1,494,562
		<u>2,378,845</u>	<u>1,799,465</u>
CREDITORS: amounts falling due within one year	13	<u>(1,640,356)</u>	<u>(676,494)</u>
NET CURRENT ASSETS		<u>738,489</u>	<u>1,122,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,878,184</u>	<u>25,370,556</u>
CREDITORS: Amounts falling due after more than one year	14	(14,343,055)	(13,981,944)
ACCRUALS AND DEFERRED INCOME	15	(1,089,227)	(952,932)
NET ASSETS		<u><u>10,445,902</u></u>	<u><u>10,435,680</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	10,000	10,000
Revaluation reserve	18	14,280,715	14,280,715
Profit and loss account	19	(3,844,813)	(3,855,035)
EQUITY SHAREHOLDERS' FUNDS	20	<u><u>10,445,902</u></u>	<u><u>10,435,680</u></u>

Signed on behalf of
the board of directors


P J de Savary
Director

Approved by the board: 25 March 1997

SKIBO LIMITED
CASH FLOW STATEMENT
for the year ended 31 October 1996

	Notes	£	1996	£	£	1995	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)			474,908			(131,531)
Returns on investment and servicing of finance							
Interest paid		(209,964)			(283,604)		
Interest received		72,334			35,737		
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				(137,630)			(247,867)
Investment activities							
Purchases of tangible fixed assets		(959,081)			(1,019,063)		
Purchase of investments		(50)			-		
Proceeds from sales of tangible fixed assets		6,773			5,900		
Receipt of deferred income		165,222			987,800		
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES				(787,136)			(25,363)
NET CASH OUTFLOW BEFORE FINANCING				(449,858)			(404,761)
Financing							
Proceeds from new borrowings				(725,000)			(1,751,373)
NET CASH OUTFLOW FROM FINANCING				(725,000)			(1,751,373)
Increase in cash and cash equivalents	12			275,142			1,346,612
				(449,858)			(404,761)

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. Cost represents materials, direct labour and appropriate production overheads.

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. All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1996 (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 21 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/(LOSS)

	1996 £	1995 £
(a) The operating profit/(loss) is stated after charging:-		
Depreciation	61,578	56,596
Auditors remuneration	8,000	7,000
Operating lease rentals - plant and machinery	8,286	15,230
	<u> </u>	<u> </u>
and after crediting:-		
Grants released	28,927	21,068
	<u> </u>	<u> </u>

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1996 (continued)

3. OPERATING PROFIT/(LOSS) (continued)

- (b) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities:

	1996 £	1995 £
Operating profit/(loss)	147,852	(426,081)
(Profit)/loss on disposal of tangible fixed assets	(1,333)	7
Depreciation	61,578	56,596
Deferred income released	(28,927)	(44,868)
Increase in stocks	(50,533)	(25,698)
Decrease/(increase) in debtors and prepayments	(398,921)	187,841
Increase in creditors and accruals	745,192	120,672
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	474,908	(131,531)

4. INTEREST RECEIVABLE

	1996 £	1995 £
Bank interest receivable	63,146	35,737
Other interest receivable	9,188	-
	72,334	35,737

5. INTEREST PAYABLE

	1996 £	1995 £
Bank loans and overdrafts	209,964	283,604

6. TAXATION

No provision for UK corporation tax is necessary due to the availability of tax losses for carry forward.

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1996 (continued)

7. STAFF COSTS

	1996 £	1995 £
Wages and salaries	832,976	591,810
Social security costs	65,500	39,655
Other pension costs	-	1,500
	<u>898,476</u>	<u>632,965</u>

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

	1996 No.	1995 No.
Management and administration	19	13
Hotel	40	37
Golf course	15	10
General estate	23	20
	<u>97</u>	<u>80</u>

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1996 (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 1995	24,000,000	163,025	198,475	24,361,500
Additions	829,538	47,809	81,734	959,081
Disposals	-	(5,440)	-	(5,440)
At 31 October 1996	<u>24,829,538</u>	<u>205,394</u>	<u>280,209</u>	<u>25,315,141</u>
Depreciation				
At 1 November 1995	-	51,045	62,877	113,922
Charge for year	-	27,266	34,312	61,578
At 31 October 1996	<u>-</u>	<u>78,311</u>	<u>97,189</u>	<u>175,500</u>
Net book value				
At 31 October 1996	<u>24,829,538</u>	<u>127,083</u>	<u>183,020</u>	<u>25,139,641</u>
At 31 October 1995	<u>24,000,000</u>	<u>111,980</u>	<u>135,598</u>	<u>24,247,578</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 1996 is £24,829,538.

SKIBO LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 October 1996 (continued)

9. INVESTMENTS

	Subsidiary Undertakings £	Other Investments £	Total £
Cost and net book value			
As at 1 November 1995	4	-	4
Additions	-	50	50
As at 31 October 1996	<u>4</u>	<u>50</u>	<u>54</u>

Subsidiary undertakings:-

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 1996, 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.

The company owns 50% of the ordinary share capital of Carnegie Estates Limited. The directors do not consider this to be a controlling interest.

10. STOCKS

	1996 £	1995 £
Stocks	<u>78,331</u>	<u>27,798</u>

11. DEBTORS

	1996 £	1995 £
Trade debtors	329,683	205,704
Sundry debtors	214,602	17,017
Prepayments and accrued income	131,741	54,384
	<u>676,026</u>	<u>277,105</u>

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1996 (continued)

12. CASH AND CASH EQUIVALENTS

	1996 £	1995 £	Change in Year £
Cash at bank and in hand	1,624,488	1,494,562	129,926
Bank overdraft	-	(145,216)	145,216
	<u>1,624,488</u>	<u>1,349,346</u>	<u>275,142</u>

	1995 £	1994 £	Change in Year £
Cash at bank and in hand	1,494,562	40,333	1,454,229
Bank overdraft	(145,216)	(37,599)	(107,617)
	<u>1,349,346</u>	<u>2,734</u>	<u>1,346,612</u>

13. CREDITORS: amounts falling due within one year

	1996 £	1995 £
Bank term loans and overdrafts (secured)	363,889	145,216
Trade creditors	304,445	97,387
Amounts owed to parent company	428,874	249,904
Taxes and social security costs	201,279	68,794
Sundry creditors	39,998	2,326
Accruals	301,871	112,867
	<u>1,640,356</u>	<u>676,494</u>

The bank business term loan included above carries interest at bank base rate plus 1.75% per annum and is repayable in 9 annual instalments of £363,889 commencing 31 August 1997 with the final payment due on 31 August 2005.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1996 (continued)

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

	1996 £	1995 £
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	10,981,944
Loans repayable outwith five years:		
Bank business term loan at bank base rate plus 1.75% per annum repayable in 9 annual instalments of £363,889 commencing 31 August 1997 with the final payment due on 31 August 2005	2,911,111	3,000,000
	<u>14,343,055</u>	<u>13,981,944</u>

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

	1996 £	1995 £
Amounts repayable by instalments:		
Within two to five years	1,091,667	1,666,670
After five years	1,819,444	1,333,330
	<u>2,911,111</u>	<u>3,000,000</u>
Amounts payable within five years other than by instalments	11,431,944	10,981,944
	<u>14,343,055</u>	<u>13,981,944</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 £3,275,000 plus interest and charges.
- 2nd - Carnegie International Corporation, standard security for an unlimited amount.
- 3rd - Mrs Lucille Lanette de Savary, standard security for £545,000.
- 4th - Royal Bank of Scotland plc, standard security for an unlimited amount.
- 5th - Royal Bank of Scotland plc, bond and floating charge.

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1996 (continued)

15. ACCRUALS AND DEFERRED INCOME

	1996 £	1995 £
Deferred government grants		
Balance at 1 November 1995	952,932	987,800
Received during the year	165,222	-
Interest relief grant transferred to profit and loss account	-	(13,800)
Released during the year	(28,927)	(21,068)
Balance at 31 October 1996	<u>1,089,227</u>	<u>952,932</u>

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 21 and the directors consider the possibility of this happening to be extremely remote.

16. 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.

	1996 £	1995 £
Potential deferred taxation not provided in the accounts is as follows:		
Taxation on property valuation surplus	<u>4,250,000</u>	<u>4,350,000</u>

17. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

SKIBO LIMITED**NOTES TO THE ACCOUNTS**

for the year ended 31 October 1996 (continued)

18. REVALUATION RESERVE

	1996 £	1995 £
Balance at 1 November 1995	14,280,715	15,464,818
Revaluation during the year	-	(1,184,103)
Balance at 31 October 1996	<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. This figure does not include any element of the goodwill which attaches to the use of the Carnegie Club name.

19. PROFIT AND LOSS ACCOUNT

	1996 £	1995 £
Accumulated loss at 1 November 1995 as previously stated	(3,855,035)	(2,084,708)
Prior year adjustment	-	(1,096,379)
	<u>(3,855,035)</u>	<u>(3,181,087)</u>
Profit for the year	10,222	(673,948)
Accumulated losses at 31 October 1996	<u>(3,844,813)</u>	<u>(3,855,035)</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
PROFIT FOR THE FINANCIAL YEAR	10,222	(673,948)
Other recognised gains and losses relating to the year	-	(1,184,103)
NET ADDITION TO SHAREHOLDERS' FUNDS	<u>10,222</u>	<u>(1,858,051)</u>
Opening shareholders' funds	10,435,680	12,293,731
CLOSING SHAREHOLDERS' FUNDS	<u>10,445,902</u>	<u>10,435,680</u>

NOTES TO THE ACCOUNTS

for the year ended 31 October 1996 (continued)

21. CONTINGENT LIABILITIES

A guarantee, amounting to £29,927 has been granted in favour of Scottish Hydro Electric plc dated 12 July 1994 in connection with the installation of electricity on site at Skibo Castle and swimming pool which is supported by a Letter of Pledge granted in respect of covering indemnity for the Guarantee dated 14 July 1994 by Skibo Limited in respect of funds held on the Bid Bank Deposit Account.

A guarantee, amounting to £4,000 has been granted in favour of Shell UK Limited dated 18 July 1995 in connection with the provision of credit facilities for fuel purchases.

Should the company default on any of the terms and conditions attached to the payment of grants, it has an obligation lasting three years and ending on 27 February 1998 to repay the development grant received amounting to £296,000 and an obligation lasting five years and ending on 27 February 2000 to repay the building grants received amounting to £678,000. Also during the year additional grants were received in relation to phase three development. The company has similar obligations to those noted above, lasting three years and ending on 25 September 1999 to repay the development grant received amounting to £47,696 and lasting five years and ending on 25 September 2001 to repay the building grants received amounting to £117,525.

22. 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.

23. 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 £37,500 (1995 - £37,500) and made payments of £40,285 on behalf of Bathealton Limited, a company in which P J de Savary and Mrs L L de Savary are materially interested as shareholders.

NOTES TO THE ACCOUNTS

for the year ended 31 October 1996 (continued)

24. ADJUSTMENTS RELATED TO PRIOR YEARS RATES

Included in the current years operating profit is a figure of £45,372 for rates relating to 1995. This has arisen as the company was not assessed for rates during 1995 and the figure included in the accounts was the directors' best estimate.

The rates have now been arbitrarily assessed without reference to the company. Negotiations are currently taking place and it is the opinion of the directors that the rates will be reduced by approximately £35,000 per annum. No adjustment has been made in the accounts for this potential rates overcharge and possible receipt by the company of a rebate for the last two years and thereafter reduced rates payable.

**THE FOLLOWING PAGES DO NOT FORM
PART OF THE STATUTORY ACCOUNTS**

DETAILED TRADING ACCOUNT
for the year ended 31 October 1996

	1996	1995
	£	£
INCOME		
Agricultural income	91,112	58,308
Accommodation	1,853,970	868,249
Food and beverage	80,142	28,063
Membership	585,390	294,792
Green fees	40,124	36,111
Telephone	15,143	4,309
Laundry	6,125	2,495
Guest recharges	79,776	21,648
Merchandise	192,310	55,315
Sundry income	54,257	93,827
Shell golf income	31,266	-
Beauty income	26,942	-
Interest received	72,334	35,737
Deferred grants released	28,927	21,068
Carried forward	3,157,818	1,519,922

SKIBO LIMITED**DETAILED TRADING ACCOUNT**

for the year ended 31 October 1996 (continued)

	£	1996	£	1995	£
Brought forward			3,157,818		1,519,922
LESS: EXPENDITURE					
Agricultural and estate costs		55,972		35,097	
Wages		898,476		631,465	
Staff training		16,084		-	
Staff recruitment costs		7,184		-	
Employees pensions		-		1,500	
Rates		68,203		17,189	
Insurance		48,870		35,641	
Electric, gas and oil		94,835		61,337	
Maintenance		37,971		21,196	
Merchandise		110,954		65,994	
Housekeeping		63,271		62,225	
Food and beverage		182,196		170,063	
Activities		20,149		2,383	
Guest recharges		72,619		36,386	
Telephone		51,406		32,514	
Marketing		270,138		176,853	
Administration costs		33,910		51,091	
Shell event costs		70,214		-	
Operational costs		165,365		203,165	
Transport		93,191		51,963	
Travel		9,984		38,876	
Professional fees		40,076		38,517	
Sales commission		51,896		25,000	
Golf course materials		29,744		40,789	
Bank and credit card charges		54,226		30,680	
Gardens		14,038		10,608	
Carnegie Club promotion		-		9,748	
General expenses		762		3,383	
Loss on sale of assets		-		7	
Profit on sale of assets		(1,333)		-	
			2,560,401		1,853,670
NET PROFIT/(LOSS) FOR YEAR BEFORE DEPRECIATION AND BANK INTEREST			597,417		(333,748)

SKIBO LIMITED**DETAILED TRADING ACCOUNT**

for the year ended 31 October 1996 (continued)

	£	1996	£	£	1995	£
NET PROFIT/(LOSS) FOR YEAR BEFORE DEPRECIATION AND BANK INTEREST			597,417			(333,748)
LESS: OTHER EXPENSES						
Depreciation		61,578			56,596	
Bank loan interest		209,964			283,604	
Prior year rates adjustment		45,372			-	
Staff profit share		72,281			-	
International marketing fees		198,000			-	
			(587,195)			(340,200)
NET PROFIT/(LOSS)			10,222			(673,948)