

**Aviemore Highland Resort (No 2) Limited**

Directors' report and financial statements

Registered number SC271118

29 September 2005



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## Company information

<b>Directors</b>	DJ Macdonald DF Sutherland I Robertson IP Bankier GH Smith
<b>Secretary</b>	RG Fraser
<b>Registered office</b>	Whiteside House Bathgate West Lothian EH48 2RX
<b>Auditors</b>	KPMG LLP Chartered Accountants Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
<b>Solicitors</b>	Ledingham Chalmers 5 Melville Crescent Edinburgh EH3 7JA
<b>Principal bankers</b>	Bank of Scotland 123 St Vincent Street Glasgow G2 5EA

## Directors' report

The directors present their report and the audited financial statements for the period 26 July 2004 to 29 September 2005

### Incorporation and change of name

The company was incorporated on 26 July 2004 as Ledge 809 Limited. On 17 September 2004 it changed its name to Aviemore Highland Resort (No 2) Limited.

### Principal activities and business review

The principal activities of the company are the development and management of leisure facilities on the complex known as Aviemore Highland Resort. The company commenced to trade on 1<sup>st</sup> October 2004.

The directors consider the results for the period to be satisfactory given the current stage of development of the resort. They believe that once the development is completed the company's prospects will be good.

### Dividend and transfer to reserves

The directors do not recommend payment of a dividend for the period.

The retained loss for the period of £629,000 is to be transferred to reserves.

### Directors and their interests

The directors of the company during the period are shown below.

DJ Macdonald	(appointed 1 December 2004)
DF Sutherland	(appointed 1 December 2004)
I Robertson	(appointed 1 December 2004)
IP Bankier	(appointed 1 December 2004)
GH Smith	(appointed 21 July 2005)
JG Busby	(appointed 1 October 2004, resigned 1 December 2004)
RG Fraser	(appointed 1 October 2004, resigned 1 December 2004, appointed 17 February 2006)
SS Christie	(appointed 1 December 2004, resigned 21 July 2005)
Ledge Services Limited	(appointed at incorporation, resigned 1 October 2004)

None of the directors has any interest in the shares of the company, or any other group company.

### Auditors

During the period KPMG LLP were appointed as auditors. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



RG Fraser  
Secretary

Whiteside House  
Bathgate  
West Lothian  
EH48 2RX

15 August 2006

## **Statement of directors' responsibilities**

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies 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,
- 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
United Kingdom

**Report of the independent auditors to the members of Aviemore Highland Resort (No 2) Limited**

We have audited the financial statements on pages 5 to 12

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

**Basis of audit 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 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 29 September 2005 and of its loss for the period from 26 July 2004 (date of incorporation) to 29 September 2005 and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

18 August 2006

# **Profit and loss account**

*for the 14 month period ended 29 September 2005*

	<i>Note</i>	<b>14 month period ended 29 September 2005 £000</b>
<b>Turnover</b>	<b>2</b>	<b>1,707</b>
Cost of sales		(1,488)
<b>Gross profit</b>		<b>219</b>
Administrative expenses		(622)
Other operating income		6
<b>Operating loss</b>		<b>(397)</b>
Interest receivable and similar income	5	2
Interest payable	6	(234)
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(629)</b>
Taxation	7	-
<b>Retained loss for the period</b>	<b>15</b>	<b>(629)</b>

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

There were no recognised gains and losses other than those detailed above

**Balance sheet**  
*at 29 September 2005*

	<i>Note</i>	<b>29 September 2005</b>	
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	8		3,724
<b>Current assets</b>			
Stocks	9	31	
Debtors	10	5	
		36	
<b>Creditors: amounts falling due within one year</b>	11	(1,362)	
<b>Net current liabilities</b>			(1,326)
<b>Total assets less current liabilities</b>			2,398
<b>Creditors: amounts falling due after one year</b>	12		(3,027)
<b>Net liabilities</b>			(629)
<b>Capital and reserves</b>			
Share capital	13		-
Profit and loss account	14		(629)
<b>Deficit on shareholders' funds</b>	15		(629)

These financial statements were approved by the board of directors on 15<sup>th</sup> August 2006 and were signed on its behalf by



**R G Fraser**  
*Director*



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *Basis of preparation*

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Aviemore Highland Resort Limited, and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of the group headed by Aviemore Highland Resort Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

The balance sheet on page 6 shows net current liabilities of £1,326,000 and net liabilities of £629,000. The financial statements have been prepared on a going concern basis which assumes that adequate financial support will continue to be made available by the company's ultimate shareholders.

The shareholders have therefore indicated they will provide adequate financial resources to support the company for the foreseeable future. In the circumstances, the directors are satisfied that it is appropriate to prepare these financial statements on the going concern basis.

#### *Tangible fixed assets*

Expenditure on development of the company's freehold land and buildings which comprise leisure facilities including public bars and restaurants, including major replacement and restoration of assets, is disclosed as freehold land and buildings.

The cost of replacement of soft furnishings, glass and china and certain loose equipment associated with leisure facilities is charged to revenue in the year in which it is incurred.

The cost of the other fixed assets is their purchase cost together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

Freehold land and buildings	-	2% per annum
Plant and equipment	-	10% per annum
Fixtures and fittings	-	10% per annum
Leasehold land and buildings	-	length of lease

#### *Grants*

Grants and other contributions received towards the cost of tangible fixed assets are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

#### *Stocks*

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

## Notes (continued)

### 1 Accounting policies (continued)

#### Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

#### Taxation

Deferred taxation is recognised without discounting in respect of all material differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19. Deferred tax assets that are not assessed as recoverable due to future uncertainties have not been recognised in the accounts.

### 2 Turnover

Turnover represents the value of goods sold and services provided during the period, net of value added tax. The turnover arose solely within the United Kingdom.

### 3 Loss on ordinary activities before taxation

14 month  
 period ended  
 29 September  
 2005  
 £000

*The loss on ordinary activities before taxation is stated after charging*

Depreciation on owned assets

64

### 4 Staff numbers and costs

All staff were employed by the company's parent company, Aviemore Highland Resorts Limited, and their costs were recharged by way of management expenses.

#### Directors' remuneration

No directors received remuneration from the company during the period.

## Notes (continued)

### 5 Interest receivable

14 month  
 period ended  
 29 September  
 2005  
 £000

Bank interest receivable	2
	<hr/>

### 6 Interest payable

14 month  
 period ended  
 29 September  
 2005  
 £000

On bank loans and overdrafts	189
On shareholder loans	45
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	234
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### 7 Taxation

There is no taxation charge in the current year

The current period tax charge is lower than the standard rate in the UK (30%) The difference is explained below

14 month  
 period ended  
 29 September  
 2005  
 £000

Loss on ordinary activities before tax	629
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Loss on ordinary activities at standard UK corporation tax at 30%	189
<i>Effects of</i>	
Capital allowances in excess of depreciation	16
Losses carried forward	(205)
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	-
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The company has an unrecognised deferred tax asset of £187,000

## Notes (continued)

### 8 Tangible fixed assets

	Freehold land and buildings £000	Plant & equipment fixtures & fittings £000	Projects in progress £000	Total £000
<i>Cost</i>				
Additions	2,947	750	86	3,783
Intercompany transfers	-	6	(1)	5
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2,947	756	85	3,788
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
Charge for period	8	56	-	64
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	8	56	-	64
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 29 September 2005	2,939	700	85	3,724
	<hr/>	<hr/>	<hr/>	<hr/>

### 9 Stocks

	2005 £000
Stocks held for resale	31
	<hr/>

### 10 Debtors

	2005 £000
Prepayments and accrued income	5
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## Notes (continued)

### 11 Creditors: amounts falling due within one year

	2005 £000
Bank loan (note 12)	285
Bank overdraft (note 12)	147
Accruals and deferred income	253
Other creditors	7
Amount due to fellow subsidiaries	670
	<hr/>
	1,362
	<hr/>

### 12 Creditors: amounts falling due after one year

	2005 £000
Shareholders' loans	750
Bank loan	2,277
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	3,027
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The bank loan is repayable at £71,225 per quarter and carries interest at 6% per annum

The company's bank borrowings are secured by a standard charge over all of its tangible fixed assets and a bond and floating charge over all the assets of the company

	2005 £000
Debt is repayable as follows	
Within one year or on demand	432
One to two years	285
Two to five years	855
More than five years	1,887
	<hr/>
	3,459
	<hr/>

### 13 Called up share capital

	2005 £
<i>Authorised</i>	
1,000 Ordinary shares of £1 each	1,000
	<hr/>
<i>Allotted, called up and fully paid</i>	
1 Ordinary share of £1 each	1
	<hr/>

### 14 Profit and loss account

	£000
Loss for the financial period and at end of period	629
	<hr/>

## Notes (continued)

### 15 Reconciliation of deficit on shareholders' funds

	2005 £000
Loss for the year	629
Opening shareholders' funds	.
	<hr/>
Closing deficit on shareholders' funds	629
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### 16 Related party transactions

During the year the company paid loan interest of £15,000 to each of Macdonald Resorts Ltd and Inverness Holdings (Spey Valley) Ltd, and at the end of the year the loan outstanding to each of these lenders was £250,000

The company paid loan interest of £193,000 to companies within the HBOS plc group, and at the end of the year the loans outstanding to these companies totalled £2,812,000. Also in the year the company paid net interest in respect of its overdraft, which was £147,000 at the year end, of £11,000

### 17 Ultimate parent undertakings

At the year end, the company's share was held by Aviemore Highland Resort Limited. Aviemore Highland Resort Limited's shares were held by and therefore ultimately owned by, Macdonald Resorts Limited (a wholly owned subsidiary of the group headed by Macdonald Hotels Limited), Inverness Holdings (Spey Valley) Limited (a company related to Tulloch Group plc) and Uberior Investments PLC (a company related to HBOS plc) in the proportions described in the accounts of Aviemore Highland Resort Limited