Cairngorm Chairlift Company Limited

Annual report and financial statements
For the year ended 30 April 1999

Registered no: 43599

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For the year ended 30 April 1999

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Company information

Executive directors

J R D Swan (Chairman)
Ms A Angus
Ms T Adams

Non-executive directors

A Stewart
G S Johnston
R Kinnaird

Secretary

A Stewart

Registered office

Cairngorm Ski Area
Aviemore
PH22 1RB

Bankers

Bank of Scotland
38 St Andrews Square
Edinburgh
EH2 2YR

Solicitors

Cuthbertson Riddle & Graham
21 Melville Street Lane
Edinburgh
EH3 7QB

Auditors

PricewaterhouseCoopers
32 Albyn Place
Aberdeen
AB10 1YL

Chairman's statement

Following two poor snow seasons, (1996/97 and 1997/98) it is encouraging to be able to report some recovery in our trading situation, with the Company achieving a profit at the operating profit level.

The summer season of 1998 however was poor (30,000 customers) compared to the previous year (51,000 customers). It is extremely unsatisfactory to note that this summer (1999) has been quite the poorest on record for the Company, (24,000 customers). These disappointing trends would appear to be in line with the overall Scottish market which is in decline against a global trend in tourism which is steadily increasing. Whilst our own sales were particularly impacted by adverse weather there can be no doubt that the strong pound and keen competition taking ever more UK holidaymakers overseas must also be significant factors.

Skiing and Snowboarding commenced at the beginning of November 1998 but this early promise was not maintained and the key periods of Christmas and New Year were patchy with good snow only at higher levels. During this season we at least enjoyed continuous snow cover but with Easter on 5 April it was a short season and with no adequate fresh snow in April trading was adversely affected.

The 1998/99 season therefore, whilst better than the previous year, can only be regarded as average with 107,000 skier days compared to 75,000 the year before.

Following the successful introduction some 3 years ago of the Snowboard School, 1998/99 saw the reward of a Snowsports School offering tuition to both Skiers and Snowboarders. This is a welcome innovation and with some 30 instructors available will provide, given good snow conditions, a useful revenue stream. Equipment hire was also expanded in conjunction with Salomon, to include innovations like snow blades and customers took full advantage of this new facility.

Training, customer service and health & safety continue to be important areas on which the Company is keenly focused. It is encouraging to note that last November, in the area of Health & Safety, the Company gained its RoSPA award which demonstrates the commitment and attention given to this important aspect of our operations.

During the snow season our Racing calendar was expanded with the first British Snowboard Championships choosing Cairngorm as the venue for this major event.

Construction work on the funicular railway started on August 9, 1999. This initial phase of the project is being undertaken by Morrison Construction and focuses on the installation of services, including water, power and sewerage. During the construction process the Company intends to operate "business as usual" for all services and facilities and because of weather constraints there will be no construction work between November and April.

Chairman's statement (continued)

Work on baseline monitoring continues to be recorded. Survey areas include; birds, habitats, geomorphology, visitors and soils. The monitoring work will provide scientific evidence on which future site visitor management decisions will be taken.

Work on developing the structure of the visitor management regime continues and will be submitted for approval to Scottish Natural Heritage and the Highland Council in the spring of 2000.

Legal agreements have been concluded between Highlands & Islands Enterprise and the Company on funding arrangements for the project. A development agreement covering all aspects of the project is in place which incorporates a new leasing agreement.

£4m of credit facility has been approved by the Bank of Scotland until June 2002. This includes the current overdraft facility of £1.5m and further funding support of up to £1m has been agreed by the Highland Council as a bank guarantee. This will underpin the future of the company during the period of construction of the funicular railway.

In June 1999 Walter Edgar resigned to pursue his career in Australia. Kim Beattie has assumed responsibility as financial controller. Board appointments were Tania Adams (February) and Grenville Johnston and Robert Kinnaird (August 1999), both of whom are non-executive directors.

With the commencement of the development programme on site, attention can now focus on building market awareness in preparation for the funicular opening in the autumn of 2001.

Directors' report
For the year ended 30 April 1999

The directors present their report and the audited financial statements for the year ended 30 April 1999.

Principal activity

The principal activity of the company is furthering the development of recreational activities, principally, skiing and snowboarding, in the Cairngorm area.

Dividends

The directors do not recommend the payment of a dividend.

Review of business and future developments

The profit and loss account for the year is set out on page 7.

The snow season, was much better than the previous year with 107,000 skier days compared to 75,000 the year before. Continuous snow cover was enjoyed during this season but with Easter on 5 April it was a short season and with no adequate fresh snow in April, the season ended sooner than hoped. Turnover therefore was less than expected but the loss was minimised by tight cost controls and strict cash management.

Further staff development was undertaken during the period and the directors continue to believe that given favourable snow conditions the company is well placed to achieve good results.

The financial support required for the construction of the funicular railway and associated buildings is now in place and the directors believe that this should underpin the future viability of the business. Full details of the funding package are detailed in Note 24 of the financial statements.

A detailed review of the results for the year is included in the Chairman's Statement.

Year 2000 compliance

The efficient operation of the business is dependent in part on its computer software and operating systems. Management undertook a full review of all systems in all departments and contracted Appletree Data (Inverness) to review compliance of computer hardware and operating systems. Non compliance computer hardware and systems have either been replaced or upgraded with the exception of the retail stock taking application where we have adopted a manual approach. Management believe that the costs and risks associated with Y2K compliance have not had, and are not expected to have a material adverse impact on the financial position of the Company.

Directors' report (continued)
For the year ended 30 April 1999

Fixed assets

The directors consider freehold properties in the balance sheet have a value substantially in excess of the stated book value.

Directors

The directors of the company during the year were as follows:-

Executive

J R D Swan	(Chairman)
T Adams	(appointed 20 February 1999)
A Angus	
W Edgar	(resigned 16 June 1999)
Non-Executive	
A Stewart	
G S Johnston	(appointed 30 August 1999)
R Kinnaird	(appointed 30 August 1999)

No director had any interest in the ordinary share capital of the company during the year.

Directors' responsibilities

The directors are required by UK Company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 April 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

Company Secretary

Report of the auditors to the members of Cairngorm Chairlift Company Limited

We have audited the financial statements on pages 7 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

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 affairs of the company as at 30 April 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
ABERDEEN,

2 February 2000

Profit and loss account
For the year ended 30 April 1999

	Notes	1999 £	1998 £
Turnover	2	**1,935,738**	1,303,985
Cost of sales		**(1,142,235)**	(1,054,071)
Gross profit		**793,503**	249,914
Net operating expenses	3	**(730,788)**	(736,379)
Operating profit/(loss)		**62,715**	(486,465)
Interest payable and similar charges	6	**(172,930)**	(139,301)
Loss on ordinary activities before taxation	7	**(110,215)**	(625,766)
Tax on loss on ordinary activities	8	**-**	-
Loss on ordinary activities after taxation	19	**(110,215)**	(625,766)

All items dealt with in arriving at the loss for the year relate to continuing operations.

The company has no recognised gains and loss other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss after taxation stated above, and their historical equivalents.

Balance sheet
As at 30 April 1999

	Notes	1999 £	1998 £
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	**1,851,042**	1,931,829
Investments	11	**12,500**	12,500
		1,863,542	1,944,329
Current assets			
Stocks	12	**35,956**	36,069
Debtors	13	**106,288**	60,842
Cash at bank and in hand		**5,900**	6,580
		148,144	103,491
Creditors: amounts falling due within one year	14	**(1,950,081)**	(1,850,020)
Net current liabilities		**(1,801,937)**	(1,746,529)
Total assets less current liabilities		**61,605**	197,800
Creditors: amounts falling due after more than one year	14	**(2,602)**	(18,430)
Provisions for liabilities and charges	15	-	-
Accruals and deferred income	16	**(368,409)**	(378,561)
Net liabilities		**(309,406)**	(199,191)
Capital and reserves			
Called up share capital	17	**115,000**	115,000
Capital redemption reserve	18	**75,000**	75,000
Profit and loss account	18	**(499,406)**	(389,191)
Equity shareholders' funds	19	**(309,406)**	(199,191)

The financial statements on pages 7 to 19 were approved by the Board of Directors on 31/1/00 and were signed on its behalf by:

: Director

Notes to the financial statements
For the year ended 30 April 1999

1 Accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. Group financial statements have not been prepared as the company is entitled to the exemption from preparing group financial statements conferred by section 228 of the Companies Act 1985.

Depreciation

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Buildings	2.5% per annum on cost
Chairlift, Roads etc	Major works – 5% per annum on cost
	Minor works – 100% per annum on cost
General Plant	10% - 25% per annum on cost
Vehicles	25% per annum on written down value
Leased asset	over the period of agreement

Deferred government grants

Government grants on capital expenditure are credited to a deferred income account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments.

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

Stocks

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

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Notes to the financial statements (continued)
For the year ended 30 April 1999

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Leasing and hire purchase commitments

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risk of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Pensions

The company operates a defined benefit pension scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of the contributions payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effect of variations from regular costs are spread over the expected average remaining service lives of members of the scheme.

The company also provides a defined contribution scheme. The amounts of contributions payable to the pension scheme in the year are charged to the profit and loss account.

Cash flow statement

The company is a wholly owned subsidiary of Cairngorm Recreation Trust Limited and cash flows of the company are included in the consolidated group cash flow statement of Cairngorm Recreation Trust Limited. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

Intangible assets

Development expenditure relating to specific projects intended for commercial exploitation is carried forward and amortised over the period expected to benefit.

Notes to the financial statements (continued)
For the year ended 30 April 1999

2 Turnover

Turnover for the year is wholly derived from the provision of goods and services which fall within the company's sole activity within the United Kingdom.

3 Net operating expenses

	1999 £	1998 £
Continuing operations		
Administrative expenses	**781,148**	775,980
Other operating income	**(50,360)**	(39,601)
	730,788	736,379

4 Employee information

The average number of employees (including executive directors) during the year was as follows:

	1999 Number	1998 Number
Office and management	**16**	11
Operational	**67**	57
	83	68

	1999 £	1998 £
Staff costs (for the above persons)		
Wages and salaries	**972,679**	855,486
Social security costs	**83,908**	77,015
Staff pension costs	**26,600**	23,714
	1,083,187	956,215

5 Directors' emoluments

	1999 £	1998 £
Aggregate emoluments and benefits	**138,910**	118,149
Company pension contributions to money purchase schemes	**8,481**	5,842
Compensation for loss of office	**-**	-
	147,391	123,991

Retirement benefits are accruing to 1 director (1998: 1) under a money purchase scheme.

Retirement benefits are accruing to 2 (1998: 1) directors under a defined benefit pension scheme.

Notes to the financial statements (continued)
For the year ended 30 April 1999

6 Interest payable

	1999 £	1998 £
Bank overdraft wholly repayable within five years	**160,680**	125,331
Hire purchase and finance lease charges	**12,250**	13,970
	172,930	139,301

7 Loss on ordinary activities before taxation

	1999 £	1998 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation on tangible fixed assets		
- owned	**125,428**	148,598
- finance leases	**21,267**	31,076
Auditors' remuneration	**11,000**	10,600
Gain on sale of tangible fixed assets	**(46,219)**	(50,158)
Operating lease rentals	**22,100**	22,100
Funicular costs provision (see note 9)	**40,000**	40,000
Deferred income release (see note 16)	**(26,155)**	(26,933)

8 Taxation

	1999 £	1998 £
United Kingdom corporation tax at 31% (1998 : 31%)	**-**	-

Notes to the financial statements (continued)
For the year ended 30 April 1999

9 Intangible assets

	Development costs £
Cost	
At 30 April 1998	284,803
Incurred during year	40,000
At 30 April 1998	324,803
Provision for diminution of value	
At 30 April 1998	284,803
Provision for year	40,000
At 30 April 1999	324,803
Net book value	
At 30 April 1999	-
At 30 April 1998	-

Costs incurred in developing the funicular railway have been provided against in full and will continue to be provided against until the construction of the railway is completed and the funicular railway is opened for commercial use.

10 Tangible fixed assets

	Land and buildings			
	Freehold £	Long Leasehold £	Plant & Machinery £	Total £
Cost				
At 30 April 1998	10,000	2,220,891	3,345,009	5,575,900
Additions	-	-	75,904	75,904
Disposals	-	-	96,175	96,175
At 30 April 1999	10,000	2,220,891	3,324,738	5,555,629
Depreciation				
At 30 April 1998	10,000	832,707	2,801,364	3,644,071
Charge for year	-	55,529	91,166	146,695
On disposals	-	-	86,179	86,179
At 30 April 1999	10,000	888,236	2,806,351	3,704,587
Net book value				
At 30 April 1999	-	1,332,655	518,387	1,851,042
At 30 April 1998	-	1,388,184	543,645	1,931,829

The net book value of plant and machinery includes assets acquired under hire purchase and finance leases amounting to £21,701 (1998 : £30,214).

Notes to the financial statements (continued)
For the year ended 30 April 1999

11 Fixed assets investments

	1999	1998
	£	£
Investment in subsidiary undertaking	**12,500**	12,500

a) Details of the subsidiary are shown below:

Name of undertaking	Nature of business	Description of shares held	Proportion of nominal value of issued shares held
Cairngorm 2000+ PLC	Recreation	Ordinary £1 shares	100%

In 1993 the company paid 25p per ordinary share. The balance of 75p has not yet been called.

b) Group accounts have not been prepared as the company is a wholly owned subsidiary of another company incorporated in Great Britain.

12 Stocks

	1999	1998
	£	£
Catering stock	**5,554**	4,887
Shop stock	**29,132**	31,182
Other stock	**1,270**	-
	35,956	36,069

13 Debtors

	1999	1998
	£	£
Amounts falling due within one year:		
Trade debtors	**66,150**	43,774
Other debtors	-	315
Prepayments and accrued income	**40,138**	16,753
	106,288	60,842

Notes to the financial statements (continued)
For the year ended 30 April 1999

14 Creditors

	1999	1998
	£	£
Amounts falling due within one year		
Bank overdraft (see below)	**1,338,719**	1,444,278
Trade creditors	**180,558**	89,867
Amounts due to subsidiary undertaking	**99,901**	101,312
Other taxes and social security	**182,958**	98,671
Other creditors	**134,407**	94,483
Current instalments due on hire purchase and finance lease credit	**13,538**	21,409
	1,950,081	1,850,020

The bank overdraft is secured by a Standard Security and Bond and Floating Charge over the assets of the company.

	1999	1998
	£	£
Amounts falling due after more than one year		
Obligations due on hire purchase and finance lease creditors between 2 and 5 years	**2,602**	18,430

15 Provision for liabilities and charges

	Deferred *taxation*
	£
Provision at 30 April 1998	-
Profit and loss account	-
Provision at 30 April 1999	-

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability, are as follows:-

	Amount provided		**Amount unprovided**	
	1999	1998	**1999**	1998
	£	£	**£**	£
Capital allowances in advance of depreciation	**163,562**	166,235	**-**	-
Other timing differences	**-**	-	**(87,709)**	(79,460)
Unutilised tax losses	**(163,562)**	(166,235)	**(242,260)**	(238,621)
	-	-	**(329,969)**	(318,081)

Notes to the financial statements (continued)
For the year ended 30 April 1999

16 Accruals and deferred income

	1999 £	1998 £
Government grants at start of year	**378,561**	349,016
Government grants received during year	**16,003**	56,478
Released to profit and loss account during year	**(26,155)**	(26,933)
Government grants at end of year	**368,409**	378,561
Income received in advance	**-**	-
	368,409	378,561

Government grants for capital expenditure are shown as deferred income and released over the life of the asset in accordance with SSAP 4. The company have received written confirmation from the providers of the grants, Highlands & Islands Enterprise, that only £26,983 of this balance remains potentially repayable to the providers at 30 April 1999.

17 Called up share capital

	1999 £	1998 £
Authorised		
Ordinary shares at £1 each	**230,000**	230,000
Allotted, called up and fully paid		
Ordinary shares at £1 each	**115,000**	115,000

18 Reserves

	Capital redemption reserve £	Profit and loss £
At 30 April 1998	75,000	(389,191)
Loss for the year	-	(110,215)
At 30 April 1999	75,000	(499,406)

Notes to the financial statements (continued)
For the year ended 30 April 1999

19 Reconciliation of movement in shareholders' funds

	1999	1998
	£	£
Opening shareholders' funds	(199,191)	426,575
Loss for the year	(110,215)	(625,766)
	(309,406)	(199,191)

20 Financial commitments

At 30 April 1999 the company had annual commitments for land and buildings under non-cancellable operating leases as set out below:

	1999	1998
	£	£
Operating leases that expire		
Within one year		-
In the second to fifth years	1,100	1,100
Over five years	21,000	21,000
	22,100	22,100

As stated in Note 11(a) the company has uncalled share capital in Cairngorm 2000+ plc amounting to £37,500.

21 Pension obligations

The total cost of the company was £26,600 (1998 : £23,714).

The company operates two pension schemes:

a) the defined benefit pension scheme which the company operates provides for its employees based on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with an insurance company. Contributions to the pension scheme are determined by a qualified actuary on the basis of triennial valuations using the projected credit method. The most recent valuation of the scheme's assets was carried out at 1 November 1996. The most significant conclusion was that the actuarial surplus was 3.7% above the regular cost contribution rate.

Notes to the financial statements (continued)
For the year ended 30 April 1999

The pension charge for the year was £9,551 (1998 : £9,102).

The most recent actuarial valuation on 1 November 1996 indicated that the market value of the scheme's assets was £461,000 and that the actuarial value of those assets represented 203% of the benefits that had accrued to members, after allowing for expected future increases in pensionable salaries. This surplus will be eliminated by 2000 as a result of reduced contributions payable by the employer on the recommendation of the actuary.

b) The pension charge for the defined contribution scheme represents contributions payable by the company to the fund and amounted to £8,568 (1998 : £8,769).

c) The company also contributes to a money purchase pension scheme on behalf of one director. The assets of the schemes are held separately from those of the company in independently administered funds.

22 Related party transactions

The company has taken advantage of the exemption under FRS 8 Related Party Disclosures not to disclose related party transactions between group companies.

There were no other material related party transactions requiring disclosure under FRS 8.

23 Ultimate parent company

The directors regard Cairngorm Recreation Trust Limited, a company limited by guarantee, which is registered in Scotland, to be the ultimate parent company by virtue of its 100% interest in the ordinary share capital of the Company.

Notes to the financial statements (continued)
For the year ended 30 April 1999

24 Post balance sheet event – future funding package

During the year the company incurred a loss of £110,215 and at the balance sheet date its liabilities exceeded its assets by £309,406. The company meets its day to day working capital requirements through a bank overdraft facility, which in common with all such facilities is repayable on demand. At the balance sheet date the overdraft was £1,338,719 which was within the agreed facility of £1,500,000.

Subsequent to the balance sheet date the overdraft facility was increased to £4,000,000 and will remain at that level until June 2002. The purpose of the increased facility is to provide working capital for the company and assist in the redevelopment of the existing ski uplift facilities at Cairngorm. In addition to this facility the Highland Council has committed to a guarantee of up to £1,000,000 to the bank should the company's indebtedness rise above the £4,000,000 overdraft facility during this period. The guarantee, if called, will crystallise into a loan repayable by the company. The directors have also taken the decision to increase the authorised share capital of the company and issue 450,000 cumulative redeemable preference shares of £1 each to Moray Badenoch and Strathspey Enterprise Company Limited.

The company has committed to the construction of buildings in connection with the funicular project. Grant income is available from Highlands and Islands Enterprise to contribute towards these costs, but it is expected that construction costs totalling £2,475,000 will have to be funded from the sources noted above.

The directors have prepared cashflow forecasts on a prudent basis for the next three years operations. The cash requirement generated from these projections indicates that the company will be able to operate within the financial facilities described above.