

Cairngorm Chairlift Company Limited
Annual report and financial statements
for the year ended 30 April 1998

Registered no: 43599



Cairngorm Chairlift Company Limited

Annual report and financial statements for the year ended 30 April 1998

	Pages
Company information	1
Chairman's statement	2 - 3
Directors' report	4 - 6
Report of the auditors	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 20

Company information

Directors:

J R D Swan (Chairman)
Ms A Angus
W Edgar
A Stewart

Secretary

W Edgar

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

Last year in my Chairman's Statement I commented on how difficult the year (1996/97) has been with regards to trading. Unfortunately I need to report that the last 12 months (1997/98) have been even more difficult, as the company experienced one of the poorest snow seasons since operations began in the early 1960's.

The summer season of 1997 proved to be slightly better than average and we achieved 51,000 customers against a target of 50,000. However this summer has been the poorest for many years (30,000 customers) and in common with the rest of the tourism industry, sales were impacted by adverse weather, the strong pound and the World Cup.

We had to wait until December 27th for the first day of skiing and snowboarding and with mild weather from the middle of January through until April, that resulted in very patchy conditions and very low customer numbers. February was the mildest on record and we missed the very important half term school holidays. In addition the prestigious World Cup Races were cancelled. It was not until Easter when we had reasonable snow cover that we had any resemblance of a skiing operation. All this resulted in a very low number of skier days, 75,000 down significantly on last year (97,000 skier days) which itself had not been a particularly good year.

The start to the 1998/99 snow season has been very encouraging, the best for several years and I hope to be able to report in next year's statement, that good trading conditions continued through to April and that financially we experienced a more positive year.

Training of staff and improvement in customer service continue to be a key priority and I am delighted to report that in July 1998 the company was awarded Investors in People status and that recently the Company's facilities were upgraded to 'Commended' under the Scottish Tourist Board Visitor Attraction grading system.

The delays and hurdles placed in our path in the implementation of the company's redevelopment plan are all but over. After a lengthy period of legal deliberation, the Secretary of State for Scotland, Scottish Natural Heritage and The Highland Council have all been found to have acted lawfully in consenting planning permission for the funicular railway. The financial support required for the construction of the funicular railway is now virtually in place. We are therefore looking forward to starting some construction work in the summer of 1999 with the funicular being available for snowsports uplift in the winter of 2001/2002 and full completion of the project in the summer of 2002.

The commercial operation of the funicular project as well as improving our outdated facilities is expected to deliver a more dependable income which should give the company the financial stability it requires.

Chairman's statement (continued)

The legal hurdles regarding the funicular project has meant a lengthy period of uncertainty for the company. During this period of uncertainty the directors have received legal advice and taken all reasonable steps to monitor the operating results of the company. A satisfactory period of improved skiing conditions should transform the financial health of the company. Until such time, however, the company is dependent on the continued support of the Bank of Scotland, which is formally available until the end of April 1999. As is usual in these circumstances, the renewal of the facility by the bankers will take into consideration the operating results over the winter skiing season and progress of the funicular project.

We are still some way off achieving financial stability but I believe that with the goodwill and support of our staff, the Bank of Scotland, Highlands & Islands Enterprise, The Highland Council and the local community, we will be successful in achieving our goals.

Directors' report for the year ended 30 April 1998

The directors present their report and the audited financial statements for the year ended 30 April 1998.

Principal activity

The profit and loss account for the year is set out on page 8.

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

A summary of the results for the period is given in page 8 of the financial statements.

The snow season was even more difficult than the previous one and was one of the poorest since the company started in the early 1960's. The very mild weather in February and March meant that we missed the important half term school holidays and the Europa Cup Races had to be cancelled. Therefore we had significantly fewer customers than expected which meant a significant reduction in turnover compared to last year. The subsequent loss was however 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 virtually in place and the directors believe that this should underpin the future viability of the business.

A major challenge for the directors is to maintain the financial health of the company until such time as the benefits of the new facilities are available.

Good skiing conditions and the continued support of both our customers and bankers, linked with the prudent financial management the company has put in place, will all be required to achieve these aims.

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

Directors' report (continued) for the year ended 30 April 1998

Post balance sheet events

1. Judicial review

At the end of October 1998 Lord Nimmo-Smith issued his judgement on the Judicial Review pertaining to the company's funicular development project. The judgement found that the Secretary of State for Scotland, Scottish Natural Heritage and the Highland Council had acted properly and legally in granting planning permission to the company for the redevelopment project. The petitioners (RSPB/WWF) of the Judicial Review had 21 days in which to lodge an appeal against the judgement. However they elected not to appeal and to withdraw all legal action and campaigning against the redevelopment project. Thus the way is clear for the project to proceed to the construction phase which is expected to commence in June/July 1999.

2. Environmental Baseline Surveys

A condition of the Planning Section 50 Agreement required the company to undertake an extensive programme of environmental baseline surveys covering the Ski Area and the Cairngorm Plateau. This work has been ongoing since last year and the field work was completed in October 1998. The final reports have been issued to Scottish Natural Heritage and the Highland Council for their approval, which is required before the construction phase can commence in June/July 1999.

Year 2000 compliance

The efficient operation of the business is dependent in part on its computer software and operating systems. Management believe that most of its current systems are millennium compliant but are undertaking a review to ensure that any non-compliant items are identified and upgraded. Management believe that the costs and risks associated with Year 2000 have not had, and are not expected to have, a material adverse impact on the financial position of the company or the results of operations.

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:-

J R D Swan	(Chairman)
Ms A Angus	
W Edgar	
A Stewart	
C Sutton	(retired 30 April 1998)
D J Cameron	(resigned 20 June 1997)
D F Sutherland	(resigned 20 June 1997)
H D P Brown	(resigned 19 September 1997)

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

**Directors' report (continued)
for the year ended 30 April 1998****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 1998. 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

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors. A resolution to re-appoint the new firm PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board



W Edgar

Company Secretary

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

We have audited the financial statements on pages 8 to 20, which have been prepared under the historical cost convention and the accounting policies set out on page 10 to 12.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis, the validity of which depends primarily on the continued support of the company's bankers by providing adequate overdraft facilities. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

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 1998 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, 11 February 1999.

Profit and loss account for the year ended 30 April 1998

	Notes	1998 £	1997 £
Turnover	3	1,303,985	1,795,570
Cost of sales		(1,054,071)	(1,306,958)
Gross profit		249,914	488,612
Net operating expenses	4	(736,379)	(1,011,089)
Operating loss		(486,465)	(522,477)
Interest payable and similar charges	7	(139,301)	(85,301)
Loss on ordinary activities before taxation	8	(625,766)	(607,778)
Tax on loss on ordinary activities	9	-	137,909
Loss on ordinary activities after taxation	20	(625,766)	(469,869)

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

The company has no recognised gains and losses 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 1998

	Notes	1998 £	1997 £
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	1,931,829	2,039,875
Investments	12	12,500	12,500
		<u>1,944,329</u>	<u>2,052,375</u>
Current assets			
Stocks	13	36,069	52,503
Debtors	14	60,842	72,710
Cash at bank and in hand		6,580	5,500
		<u>103,491</u>	<u>130,713</u>
Creditors: amounts falling due within one year	15	<u>(1,850,020)</u>	<u>(1,318,624)</u>
Net current liabilities		<u>(1,746,529)</u>	<u>(1,187,911)</u>
Total assets less current liabilities		<u>197,800</u>	<u>864,464</u>
Creditors: amounts falling due after more than one year	15	(18,430)	(72,519)
Provisions for liabilities and charges	16	-	-
Accruals and deferred income	17	<u>(378,561)</u>	<u>(365,370)</u>
Net assets/(liabilities)		<u><u>(199,191)</u></u>	<u><u>426,575</u></u>
Capital and reserves			
Called up share capital	18	115,000	115,000
Capital redemption reserve	19	75,000	75,000
Profit and loss account	19	<u>(389,191)</u>	<u>236,575</u>
Equity shareholders' funds	20	<u><u>(199,191)</u></u>	<u><u>426,575</u></u>

The financial statements on pages 8 to 20 were approved by the Board of Directors on 9/2/99. and were signed on its behalf by:

 : Director

**Notes to the financial statements
for the year ended 30 April 1998****1 Basis of preparing the financial statements - going concern assumption**

During the year the company incurred a loss of £625,766 and at balance sheet date its liabilities exceeded its assets by £199,191. 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 £1,444,278 which was within its agreed facility of £1,500,000.

Subsequent to the balance sheet date the overdraft facility was increased to £1,750,000, however, this facility formally expired on 31 July 1998. Since that date the bank has continued to support the company by providing increases in the overdraft which has and continues to be sufficient to allow the directors to continue trading.

The company's bankers anticipate that this facility will continue until the end of April 1999, when the financial position of the company will be reviewed by them, taking into consideration the operating results for the winter period and progress on financial arrangements for the funicular project.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the company being able to meet its projected cash flow forecasts and on the company's banker continuing their support by providing adequate overdraft facilities.

If the company were unable to continue in operational existence, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

In connection with the excess of liabilities over assets referred to above attention is drawn to note 17 which deals with the situation regarding the potential repayment of government grants.

In addition to discussing the company's financial position with its bankers, the directors held discussions in January 1999 with Highlands and Islands Enterprise and Highland Council who indicated their continuing support to deliver the funicular project which the parties recognised is economically important to the Highlands and Islands region. At the meeting the parties stated that they are finalising the detail of previously agreed financial packages to ensure the continuing financial viability of the project.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

**Notes to the financial statements
for the year ended 30 April 1998****2 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 realised 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 1998****2 Accounting policies (continued)****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

Assets acquired under finance leases and hire purchase contracts are capitalised and outstanding instalments are included in creditors.

Rentals paid under operating leases are charged against profit in the year in which they are incurred.

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.

3 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.

Notes to the financial statements (continued) for the year ended 30 April 1998

4 Net operating expenses

	1998 £	1997 £
Continuing operations		
Administrative expenses	775,980	1,051,256
Other operating income	(39,601)	(40,167)
	<u>736,379</u>	<u>1,011,089</u>

5 Employee information

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

	1998 Number	1997 Number
Office and management	11	13
Operational	57	86
	<u>68</u>	<u>99</u>

	1998 £	1997 £
Staff costs (for the above persons)		
Wages and salaries	855,486	1,063,775
Social security costs	77,015	88,985
Staff pension costs	23,714	39,074
	<u>956,215</u>	<u>1,191,834</u>

6 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments and benefits	118,149	162,299
Company pension contributions to money purchase schemes	5,842	8,344
Compensation for loss of office	-	25,000
	<u>123,991</u>	<u>195,643</u>

Retirement benefits are accruing to one director under a money purchase scheme.

Retirement benefits are accruing to one director under a defined benefit pension scheme.

Notes to the financial statements (continued) for the year ended 30 April 1998

7 Interest payable

	1998 £	1997 £
Bank overdraft wholly repayable within five years	125,331	62,345
Hire purchase and finance lease charges	13,970	22,956
	<u>139,301</u>	<u>85,301</u>

8 Loss on ordinary activities before taxation

	1998 £	1997 £
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation on tangible fixed assets		
- owned	148,598	144,267
- finance leases	31,076	69,638
Auditors' remuneration	10,600	9,900
Gain on sale of tangible fixed assets	(50,158)	(99,011)
Operating lease rentals	22,100	22,100
Funicular costs provision (see note 10)	40,000	70,386
Deferred income release (see note 17)	(26,933)	(25,889)
	<u></u>	<u></u>

9 Taxation

	1998 £	1997 £
United Kingdom corporation tax at 31% (1997 - 31%)		
Current	-	-
Deferred	-	(113,782)
Over provision in respect of prior years		
Current	-	(9,315)
Deferred	-	(14,812)
	<u>-</u>	<u>(137,909)</u>

Notes to the financial statements (continued) for the year ended 30 April 1998

10 Intangible assets

	Development costs 1997 £
Cost	
At 30 April 1997	244,803
Incurred during year	40,000
At 30 April 1998	284,803
Provision for diminution of value	
At 30 April 1997	244,803
Provision for year	40,000
At 30 April 1998	284,803
Net book value	
At 30 April 1998	-
At 30 April 1997	-

Costs incurred in developing the funicular railway have been provided against in full and will continue to be provided against until the necessary funding which will enable the construction of the railway to commence and be taken to completion is received in full.

11 Tangible fixed assets

	Land and Buildings		Plant &	Total
	Freehold	Long Leasehold	Machinery	
	£	£	£	£
Cost				
At 30 April 1997	10,000	2,220,891	3,392,643	5,623,534
Additions	-	-	84,592	84,592
Disposals	-	-	(132,226)	(132,226)
At 30 April 1998	10,000	2,220,891	3,345,009	5,575,900
Depreciation				
At 30 April 1997	10,000	777,178	2,796,481	3,583,659
Charge for year	-	55,529	124,145	179,674
On disposals	-	-	(119,262)	(119,262)
At 30 April 1998	10,000	832,707	2,801,364	3,644,071
Net book value				
At 30 April 1998	-	1,388,184	543,645	1,931,829
At 30 April 1997	-	1,443,713	596,162	2,039,875

Notes to the financial statements (continued) for the year ended 30 April 1998

11 Tangible fixed assets (continued)

The net book value of plant and machinery includes assets acquired under hire purchase and finance leases amounting to £30,214 (1997 - £123,300)

12 Fixed assets investments

	1998 £	1997 £
Investment in subsidiary undertaking	<u>12,500</u>	<u>12,500</u>

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.

13 Stocks

	1998 £	1997 £
Catering stock	4,887	7,217
Shop stock	<u>31,182</u>	<u>45,286</u>
	<u>36,069</u>	<u>52,503</u>

14 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	43,774	39,933
Other debtors	315	3,951
Prepayments and accrued income	<u>16,753</u>	<u>28,826</u>
	<u>60,842</u>	<u>72,710</u>

Notes to the financial statements (continued) for the year ended 30 April 1998

15 Creditors

	1998 £	1997 £
Amounts falling due within one year		
Bank overdraft (see below)	1,444,278	823,680
Trade creditors	89,867	105,982
Amounts due to subsidiary undertaking	101,312	101,312
Other taxes and social security	98,671	110,585
Other creditors	94,483	126,284
Current instalments due on hire purchase and finance lease creditor	21,409	50,781
	<u>1,850,020</u>	<u>1,318,624</u>

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

	1998 £	1997 £
Amounts falling due after more than one year		
Obligations due on hire purchase and finance lease creditors between 2 and 5 years	<u>18,430</u>	<u>72,519</u>

16 Provision for liabilities and charges

	Deferred taxation £
Provision at 30 April 1997	-
Profit and loss account	-
Provision at 30 April 1998	<u>-</u>

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

	Amount provided		Amount unprovided	
	1998 £	1997 £	1998 £	1997 £
Capital allowances in advance of depreciation	166,235	164,199	-	-
Other timing differences	-	-	(79,460)	-
Unutilised tax losses	(166,235)	(164,199)	(238,621)	(70,000)
	<u>-</u>	<u>-</u>	<u>(318,081)</u>	<u>(70,000)</u>

Notes to the financial statements (continued) for the year ended 30 April 1998

17 Accruals and deferred income

	1998 £	1997 £
Government grants at start of year	349,016	363,925
Government grants received during year	56,478	10,980
Released to profit and loss account during year	(26,933)	(25,889)
Government grants at end of year	378,561	349,016
Income received in advance	-	16,354
	<u>378,561</u>	<u>365,370</u>

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 £10,980 of this balance remains potentially repayable to the providers at 30 April 1998.

18 Called up share capital

	1998 £	1997 £
Authorised		
Ordinary shares at £1 each	<u>230,000</u>	<u>230,000</u>
Allotted, called up and fully paid		
Ordinary shares at £1 each	<u>115,000</u>	<u>115,000</u>

19 Reserves

	Capital redemption reserve £	Profit and Loss £
At 30 April 1997	75,000	236,575
Loss for the year	-	(625,766)
At 30 April 1998	<u>75,000</u>	<u>(389,191)</u>

20 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Opening shareholders' funds	426,575	896,444
Loss for the year	<u>(625,766)</u>	<u>(469,869)</u>
Closing shareholders' funds	<u>(199,191)</u>	<u>426,575</u>

Notes to the financial statements (continued) for the year ended 30 April 1998

21 Financial commitments

At 30 April 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings	
	1998	1997
	£	£
Operating leases that expire		
Within one year	-	-
In the second to fifth years	1,100	1,100
Over five years	21,000	21,000
	<u>22,100</u>	<u>22,100</u>

As stated in Note 12 (a) the company has uncalled share capital in Cairngorm 2000+ plc amounting to £37,500.

22 Pension obligations

The total pension cost of the company was £23,714 (1997 : £39,074).

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.

The pension charge for the year was £9,102 (1997 : £25,442)

The most recent actuarial valuation at 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.

At the year end, arrears in respect of the defined benefit pension scheme which are included in creditors amounted to £3,959.

- b) The pension charge for the defined contribution scheme represents contributions payable by the company to the fund and amounted to £8,769 (1997 : £5,286).

**Notes to the financial statements (continued)
for the year ended 30 April 1998****22 . Pension obligations (continued)**

- 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.

23 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.

A director of the company, Mr H D P Brown, is a partner in Frame Kennedy & Forrest, a firm of Chartered Accountants which provided pension broking services to the company totalling £7,157 (1997 : £10,000).

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

24 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.