

PERFORMANCE SAILCRAFT EUROPE LIMITED
Registered number 922893

31 December 1993



ACJJB2D0

AIG RECEIPT DATE: 24/06/94

DIRECTOR'S REPORT

The directors submit their report and audited accounts for the year ended 31 December 1993.

REVIEW OF THE BUSINESS

The principal activities of the company are its exploitation of the Laser and Dart Trademarks and Copyright agreements for the manufacture and sale of Laser and Dart sailing boats together with related spares and accessories.

CHANGES IN PRESENTATION OF THE FINANCIAL STATEMENTS

Following the introduction of Financial Reporting Standard No.3, "Reporting Financial Performance", the presentation of the financial statements has been amended to conform with the new requirements. There were no discontinued operations in 1993.

TRADING RESULTS

The trading profit for the year ended 31 December 1993 was £576,470 (1992 (£33,926)) on a turnover of £8,191,827 (1992 £7,058,122)

The transfer to reserves was £266,421 (1992 (£91,158)) after paying interim dividends of £150,000 (1992 £50,000).

FIXED ASSETS

Changes in fixed assets are shown in notes 8 & 9 to the accounts.

DEVELOPMENT

The company is committed to development activities in order to secure and maintain a competitive position in the market in which it operates.

DIRECTORS

The directors of the company as at 31 December 1993 were as follows -

AV Hancock - Chairman
P Bulman
TW Coventry
CAR Gillams
CF Nichols
HC Reader
RC Simmonds
R Young

In accordance with the Articles of Association, retirement by rotation does not apply.

DIRECTORS (cont.)

There are no notifiable interests of the directors in the share capital of the company.

AV Hancock, CAR Gillams and R Young are directors of Sunleigh plc, the ultimate parent company, and their share holdings in that company are disclosed in its accounts.

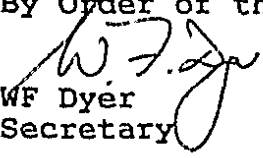
TAXATION STATUS

The company is not a close company under the provisions of the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Coopers & Lybrand, have indicated their willingness to continue in the appointment.

By Order of the Board


WF Dyer
Secretary

10th. February 1994

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 of the company 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 are also responsible for safeguarding the assets of the company and hence for the prevention and detection of fraud and other irregularities.

COOPERS & LYBRAND

Oriel House
55 Sheep Street
Northampton, NN1 2NF

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REPORT OF THE AUDITORS TO THE MEMBERS OF
PERFORMANCE SAILCRAFT EUROPE LIMITED

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 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

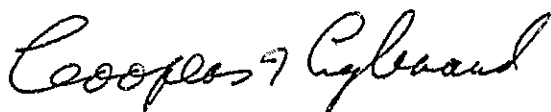
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1993 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND



Chartered Accountants
and Registered Auditors

18 February 1994

NORTHAMPTON

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1993

	Notes	1993	1992
TURNOVER	2	8,191,827	7,058,122
Cost of sales		5,430,395	4,881,470
GROSS PROFIT		2,761,432	2,176,652
Administrative expenses		2,189,177	2,031,684
Exceptional items	23	-	172,118
Operating profit/(loss) on continuing operations		572,255	(27,150)
Interest receivable	3	(5,931)	-
Interest payable and similar charges	3	1,716	6,776
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	576,470	(33,926)
Tax on (loss) on ordinary activities	7	160,049	7,232
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		416,421	(41,158)
Interim Dividends	22	150,000	50,000
MOVEMENT IN RESERVES	15	£ 266,421	£ (91,158)

=====

All activity for 1993 and 1992 resulted from continuing operations.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

BALANCE SHEET - 31 DECEMBER 1993

	Notes	1993	1992
FIXED ASSETS			
Intangible assets	8	392,622	392,622
Tangible assets	9	256,214	272,621
		<u>648,836</u>	<u>665,243</u>
CURRENT ASSETS			
Stocks	10	935,604	725,506
Debtors	11	1,156,040	786,389
Cash at bank and in hand		230,731	973
		<u>2,322,375</u>	<u>1,512,868</u>
CREDITORS: Amounts falling due within one year	12	1,816,395	1,316,620
		<u>505,980</u>	<u>196,248</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES	£	<u>1,154,816</u>	£ <u>861,491</u>
		=====	=====
CREDITORS: Amounts falling due after more than one year	13	899,904	873,000
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account	15	204,912	(61,509)
		<u>£ 1,154,816</u>	£ <u>861,491</u>
		=====	=====

Approved by the Board on 10th. February 1994
and signed on its behalf

DIRECTOR
TW COVENTRY

NOTES TO THE ACCOUNTS 31 DECEMBER 1993

1 ACCOUNTING POLICIES

(1) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Intangible fixed assets

Trademarks, the value of which is not expected to diminish in the foreseeable future, are recorded in the balance sheet as intangible fixed assets. No amortisation is provided on these assets but their value is reviewed annually and the cost written down where permanent diminution in value has occurred.

(3) Fixed Assets

Fixed assets are stated at historic cost less accumulated depreciation. The provision for depreciation is calculated on the net cost of fixed assets in order to write off such cost over the estimated useful lives by annual instalments as follows:

Leasehold buildings	10% straight line
Plant, machinery, fixtures and fittings	15%-20% straight line
Moulds	20%-33 1/3% straight line
Office equipment	20%-33 1/3% straight line
Motor vehicles	25% straight line

(4) Development costs

Development costs are included in cost of sales. These costs represent materials, direct labour and appropriate production overheads together with specific development expenditure.

(5) Stocks

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

(6) Foreign Currency

Foreign currency transactions have been translated at market rates at the time of transaction. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating profit.

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

(7) Hire Purchase

Assets acquired under a hire purchase agreement have been capitalised under fixed assets. The corresponding liability is shown under creditors due within one year and after more than one year.

(8) Operating Leases

Payments under operating leases are charged to the Profit and Loss account as they fall due.

(9) Pensions

It is the policy of the company to provide for pension liabilities by payments to trusts or insurance companies independent from the finances of the group. For the group's defined contribution pension schemes, contributions are charged to the profit and loss account in the year in respect of which they become payable.

2 TURNOVER

Turnover represents the invoiced value of goods supplied by the company excluding value added tax.

The analysis of turnover by geographical market is as follows:

	1993	1992
United Kingdom	3,332,842	3,226,721
Europe	4,161,663	3,162,144
Middle and Far East	501,458	331,160
Others	195,864	338,097
	<u>£ 8,191,827</u>	<u>£7,058,122</u>
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

- 3 PROFIT/(LOSS IN 1992) ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging the following amounts:

	1993	1992
Management charge payable to Gavel Securities Limited	£ 180,000	£ 240,000
Depreciation	£ 119,148	£ 120,005
Auditors' remuneration - Audit	£ 10,200	£ 12,700
- Tax	£ 4,820	£ 2,860
Emoluments of the directors of the company (note 5) including pension contributions	£ 158,808	£ 136,708
Hire of plant, machinery and vehicle	£ 11,210	£ 776
Rental payments under operating leases	£ 220,405	£ 206,286
	=====	=====
Interest payable on bank borrowings repayable within five years	-	1,124
Interest receivable	(5,931)	(492)
Finance charges payable under hire purchase contracts	1,176	5,911
Other interest	540	233
	£ (4,215)	£ 6,776
	=====	=====

4 STAFF COSTS

Staff costs during the year were as follows:

	1993	1992
Wages and salaries	1,422,094	1,287,352
Social security costs	135,670	124,594
Other pension costs	41,478	35,919
	£ 1,599,242	£ 1,447,865
	=====	=====

The average number of persons employed:

	1993	1992
Manufacturing	73	67
Distribution and Selling	12	13
Office and Management	9	10
	-----	-----
	94	90
	-----	-----

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

5 EMOLUMENTS OF DIRECTORS

The emoluments, excluding pension contributions, of the directors were as follows:

	1993	1992
Chairman	£ -	£ -
Highest paid director	£ 38,912	£ 36,175
Directors including those above:		
	Number	Number
£ Nil - £5,000	4	5
£30,001 - £35,000	-	3
£35,001 - £40,000	4	1

6 COMMITMENTS UNDER OPERATING LEASES

The company had annual commitments under operating leases as set out below:

	1993	1992
LAND AND BUILDINGS		
Operating leases expiring within one year	£ 103,000	£ -
Operating leases which expire in the second to fifth years inclusive	-	£ 123,938
Operating leases which expire after 5 years	£ 107,194	£ 72,164
OTHER LEASES		
Operating leases expiring within one year	£ 7,883	£ -
Operating leases which expire in the second to fifth years inclusive	£ 11,608	£ 13,243
Operating leases which expire after 5 years	-	£ 6,815

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1993	1992
Corporation tax at 33% (1992 33%)	168,058	7,232
Prior year adjustments		
Corporation Tax	(8,009)	-
	£ 160,049	£ 7,232

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

8 INTANGIBLE FIXED ASSETS

Trademarks comprise:	1993	1992
Original Cost		
At 1 January 1993	392,622	376,865
Additions	-	15,757
At 31 December 1993	£ 392,622	£ 392,622
	=====	=====

The directors believe that the value of the trademarks exceeded the above amount at the balance sheet date.

9 TANGIBLE ASSETS

	Short Lease hold £	Buildings £	Plant & machinery Motor vehicles & boats £	Other plant & machinery £	Fixtures, fittings, tools & equipment £	Total £
Original Cost						
At 1 January 1993	23,486	25,628	140,261	184,032	704,703	1,078,110
Additions	-	-	39,021	-	68,798	107,819
Transfers	-	-	-	-	-	0
Written off	-	-	-	-	-	0
Disposals	-	-	(39,173)	-	(1,900)	(41,073)
At 31 December 1993	23,486	25,628	140,109	184,032	771,601	1,144,856
Depreciation						
At 1 January 1993	14,766	5,259	120,416	120,783	544,265	805,489
Charge for year	1,089	2,628	13,252	22,219	79,960	119,148
Transfers	-	-	-	-	-	0
Written off	-	-	-	-	-	0
Disposals	-	-	(34,095)	-	(1,900)	(35,995)
At 31 December 1993	15,855	7,887	99,573	143,002	622,325	888,642
Net book value						
At 31 December 1993	7,631	17,741	40,536	41,030	149,276	256,214
At 31 December 1992	8,720	20,369	19,845	63,249	160,438	272,621

The net book value of fixed assets includes an amount of £35,481 (1992 - £ 15,735) in respect of assets held under hire purchase.

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

10 STOCKS	1993	1992
Raw materials and consumables	58,219	34,305
Work in progress	20,319	13,590
Finished goods and goods for resale	857,066	677,611
	<u>£ 935,604</u>	<u>£ 725,506</u>
	=====	=====

The replacement cost of stock is not materially different from the amounts stated above.

11 DEBTORS	1993	1992
Trade debtors (All due within 1 year)	953,514	541,213
Amounts owed by group undertakings	60,227	105,642
ACT Recoverable after 1 year	22,946	21,902
Other debtors	40,230	31,627
Prepayments and accrued income	79,123	86,005
	<u>£ 1,156,040</u>	<u>£ 786,389</u>
	=====	=====

12 CREDITORS: Amounts falling due within one year

	1993	1992
Bank overdraft & loans	57,533	157,267
Trade creditors	690,282	552,798
Accruals and deferred income	270,616	118,059
Corporation tax	38,846	3,166
Other tax and social security	38,132	32,278
Amounts owed to group undertakings	669,680	405,250
Obligations under hire purchase contracts	14,405	7,437
Other creditors	-	40,365
Amount owed to Sunleigh plc	36,901	-
	<u>£ 1,816,395</u>	<u>£1,316,620</u>
	=====	=====

The bank overdraft is secured by a fixed charge over all fixed assets and a floating charge over all other assets of the company.

13 CREDITORS: Amounts falling due after more than one year

	1993	1992
Loan from Gavel Securities Limited	850,000	850,000
Obligations under hire purchase contracts	14,404	-
Long term Bank loan	35,500	23,000
	<u>£ 899,904</u>	<u>£ 873,000</u>
	=====	=====

The loan from Gavel Securities Limited is unsecured and interest free with no repayment terms.

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

14 SHARE CAPITAL

	1993	1992
Ordinary shares of £1 each:		
Authorised	£ 50,000	£ 50,000
	=====	=====
Allotted and fully paid	£ 50,000	£ 50,000
	=====	=====

15 PROFIT AND LOSS ACCOUNT

	1993	1992
Profit brought forward 1 January 1993	(61,509)	29,649
Profit/(Loss) for the year	266,421	(91,158)
Profit carried forward 31 December 1993	£ 204,912	£ (61,509)
	=====	=====

16 RECONCILIATION OF THE MOVEMENT ON SHAREHOLDERS' FUNDS

	1993	1992
Profit after tax	416,421	(41,158)
Dividends	(150,000)	(50,000)
Opening Shareholders' Funds	(11,509)	79,649
	-----	-----
Closing Shareholders' Funds	£ 254,912	£ (11,509)
	-----	-----

17 DEFERRED TAXATION

There is no liability for deferred taxation as the effects of timing differences between profits as stated in the accounts and as computed for taxation purposes result in a deferred taxation asset. In accordance with the company's accounting policy, this deferred taxation asset is only reflected in the accounts to the extent that timing differences between profits as stated in the accounts and as computed for taxation purposes are likely to reverse in the foreseeable future and result in a tax payment. No tax asset or liability has been taken up in the accounts.

The full potential deferred taxation asset, calculated on the liability method at 33% (1992 33%) is analysed as follows-

	1993	1992
Accelerated capital allowances	40,067	42,758
Other short term timing differences	10,779	7,719
Losses available for relief	-	11,263
	£ 50,846	£ 61,740
	-----	-----

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

18 CAPITAL COMMITMENTS

As at 31 December 1993 there was a capital commitment of £Nil (1992 - Nil). Contracts approved by the Board of Directors but not contracted amounted to £Nil (1992 - Nil).

19 CONTINGENT LIABILITIES

Bank Guarantee -

The company has executed an unlimited guarantee in respect of its holding company Gavel Securities Limited and its fellow subsidiaries Precis Ninety Nine Limited and Dart Catamarans International Limited as security for the group overdraft facility.

20 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Sunleigh plc, a company registered in England and Wales.

Copies of the group accounts can be obtained from Worthing House, Basingstoke, Hants., RG23 8 PY.

21 PENSION SCHEMES

The company operates a defined contribution pension scheme (until 31 December 1990 operated by Dart Catamarans International Limited) covering those employees who wish to take part. The pension costs represent the contributions payable to the pension scheme in respect of the accounting period.

The company also operated a defined benefit scheme for full-time employees. The assets of the scheme were held in separate trustee administered funds and the pension cost was assessed in accordance with the advice of an actuary.

This scheme was wound up with effect from 5 April 1991 and arrangements are being made to transfer as a minimum the actuarial value of the accrued benefits up to 5 April 1991 to individual defined contribution personal pension plans to which the company contributes 6% of basic salary.

The total pension cost to the company was £41,478 (1992 - £33,057).

22 DIVIDENDS

	1993	1992
Interim Dividends of £3 per Ordinary Share (1992 - £1 per Ordinary Share)	£ 150,000	£ 50,000
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1993 (CONTINUED)

23 EXCEPTIONAL ITEM

The exceptional items are as follows -

	1993	1992
Redundancy costs	-	38,238
Fixed assets and Stock written off relating to discontinued products	-	22,032
Settlement on termination of Italian agency contract	-	20,367
Tangible development costs previously capitalised now written off	-	31,116
Changes in directors valuation of current assets	-	60,365
	£ 0	£ 172,118
	=====	=====