

**PERFORMANCE SAILCRAFT  
EUROPE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 1998**

Company number: 922893



**PERFORMANCE SAILCRAFT EUROPE LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 December 1998

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Company registration number: 922893

Registered office: 6 Riverside  
Banbury  
Oxon  
OX16 8TL

Directors: R S K Young (Chairman)  
T W Coventry  
A M Jones  
C F Nichols  
R C Simmonds  
M J Weiner

Secretary: M J Weiner

Bankers: Barclays Bank PLC  
50 Pall Mall  
Pall Mall Corporate Banking Centre  
London  
SW1A 1QA

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants

Solicitors: Hughes Watton  
69 Eccleston Square  
London  
SW1V 1PY

**PERFORMANCE SAILCRAFT EUROPE LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 December 1998

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## **PERFORMANCE SAILCRAFT EUROPE LIMITED**

### **REPORT OF THE DIRECTORS**

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The directors present their report together with financial statements for the year ended 31 December 1998.

#### **Principal activities**

The principal activities of the company are the 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.

The current activities will be maintained for the foreseeable future. New boats are developed on a regular basis to maintain the company's competitive position.

#### **Business review**

There was a profit for the year after taxation amounting to £113,732 (1997: £256,134). The directors recommend dividends absorbing £150,000 (1997: £200,000) leaving £(36,268) transferred from reserves (1997: £56,134 retained).

#### **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 present membership of the Board is set out below. All directors served throughout the year apart from Mr F A Rastegar who was appointed to the Board on 21 April 1998 and then resigned from the Board on 15 December 1998 and Mr A C Finlayson who resigned from the Board on 27 March 1998.

R S Young (Chairman)  
T W Coventry  
A M Jones  
C F Nichols  
R C Simmonds  
M J Weiner

The interests of the directors, who are all directors of Gavel Securities Limited, the parent undertaking, are disclosed in that company's financial statements. No other director had an interest in the shares of the company.

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

#### **Insurance of directors**

Insurance is maintained for the directors of the company in respect of their duties as directors.

## **PERFORMANCE SAILCRAFT EUROPE LIMITED**

### **REPORT OF THE DIRECTORS**

For the year ended 31 December 1998

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#### **Directors' responsibilities for the financial statements**

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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Year 2000 Compliance**

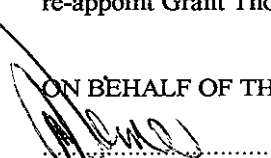
Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of the company's customers and suppliers.

The company has assessed the risks resulting from this issue. As a result it has developed action plans to deal with the key risks which include the replacement of the computer system during 1999. At the time of signing these accounts, this expenditure has not been approved by the ultimate holding company. It is considered, however, that no significant risk arises from any manufacturing process or relationship with suppliers or customers. Despite the exercise undertaken it is impossible to guarantee that no Year 2000 problems will remain. The Board believes it will achieve an acceptable state of readiness by the due time.

#### **Auditors**

Grant Thornton were appointed as auditors on 7 December 1998 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given a resolution to re-appoint Grant Thornton as auditors will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

  
M.J. Weiner  
Director and Secretary

20 May 1999

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

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 4 and 5.

**Respective responsibilities of directors and auditors**

As described on page 2 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 affairs of the company at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

Northampton

20 May 1999

## **PERFORMANCE SAILCRAFT EUROPE LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

For the year ended 31 December 1998

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#### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

#### **CHANGES IN PRESENTATION OF FINANCIAL INFORMATION**

FRS 12 'Provisions, contingent liabilities and contingent assets' comes into effect for accounting periods ending on or after 23 March 1999 but encourages early adoption. As recommended the company has adopted this policy for the year ended 31 December 1998.

#### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

#### **DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives.

The periods generally applicable are:

	Period of the lease
Leasehold buildings	5 - 7 years
Plant, machinery, tools, fixtures and fittings	3 - 5 years
Moulds	3 - 5 years
Office equipment	4 years
Motor vehicles and boats	

#### **RESEARCH AND DEVELOPMENT**

Development expenditure is charged to profits in the period in which it is incurred.

#### **INTANGIBLE FIXED ASSETS**

Trademarks, the value of which are not expected to diminish in the foreseeable future, are recorded in the balance sheet at cost 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.

#### **STOCKS**

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

#### **DEFERRED TAXATION**

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

## **PERFORMANCE SAILCRAFT EUROPE LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

For the year ended 31 December 1998

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#### **FOREIGN CURRENCY**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

#### **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 company. For the company's defined contribution pension schemes, contributions are charged to the profit and loss account in the year in respect of which they became payable.

#### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

#### **RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions from disclosing transactions with other group undertakings as conferred by Financial Reporting Standard No 8 in that all subsidiaries are wholly owned by a parent registered in England and Wales.

#### **PROVISIONS**

In accordance with Financial Reporting Standard (FRS) 12, the company provides for warranty costs arising from past events which result in a present obligation. Warranty costs are assessed through analysis of product sold to arrive at a best estimate of the likely costs to the company.



**PERFORMANCE SAILCRAFT EUROPE LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

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	Notes	1998 £	1997 £
<b>Turnover</b>	1	<b>8,718,522</b>	8,353,119
Cost of sales	2	(5,780,322)	(5,343,621)
Gross profit		<u>2,938,200</u>	<u>3,009,498</u>
Other operating income and charges	2	(2,918,469)	(2,639,064)
<b>Operating profit</b>		<u>19,731</u>	<u>370,434</u>
Net interest	3	(5,660)	9,521
<b>Profit on ordinary activities before taxation</b>	1	<u>14,071</u>	<u>379,955</u>
Tax on profit on ordinary activities	5	99,661	(123,821)
<b>Profit on ordinary activities after taxation</b>		<u>113,732</u>	<u>256,134</u>
Dividends	6	(150,000)	(200,000)
<b>Transfer from reserves/profit retained</b>	16	<u>(36,268)</u>	<u>56,134</u>

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There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

# PERFORMANCE SAILCRAFT EUROPE LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Intangible assets	7	392,622	392,622
Tangible assets	8	292,983	256,037
		<u>685,605</u>	<u>648,659</u>
<b>Current assets</b>			
Stocks	9	1,216,426	1,169,127
Debtors	10	913,547	1,215,940
Cash at bank and in hand		380,422	480,160
		<u>2,510,395</u>	<u>2,865,227</u>
<b>Creditors: amounts falling due within one year</b>	11	(1,771,935)	(2,065,702)
<b>Net current assets</b>		<u>738,460</u>	<u>799,525</u>
<b>Total assets less current liabilities</b>		<u>1,424,065</u>	<u>1,448,184</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(862,969)	(850,000)
<b>Provisions for liabilities and charges</b>	13	(20,362)	(21,182)
		<u>540,734</u>	<u>577,002</u>
<b>Capital and reserves</b>			
Called up share capital	14	50,000	50,000
Profit and loss account	16	490,734	527,002
<b>Shareholders' funds</b>	17	<u>540,734</u>	<u>577,002</u>

The financial statements were approved by the Board of Directors on 20 May 1999

  
M J Weiner

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

## PERFORMANCE SAILCRAFT EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

#### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover is attributable to the 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.

An analysis of turnover by geographical market is given below.

	1998 £	1997 £
United Kingdom	4,818,390	4,514,715
Europe	2,676,500	2,605,159
Others	1,040,535	1,233,245
U.S.A.	183,097	-
	<u>8,718,522</u>	<u>8,353,119</u>

The profit on ordinary activities is stated after:

	1998 £	1997 £
Auditors' remuneration:		
Audit services	10,000	13,000
Non-audit services	10,000	15,000
Depreciation:		
Tangible fixed assets, owned	122,635	116,794
Tangible fixed assets, held under finance leases and hire purchase contracts	5,299	6,368
Hire of plant, machinery and vehicles	87,762	79,225
Other operating leases	204,376	221,908
Management charge payable to Gavel Securities Limited	222,000	192,000
	<u>                    </u>	<u>                    </u>

#### 2 COST OF SALES AND OTHER OPERATING INCOME AND CHARGES

	1998 £	1997 £
Cost of sales	<u>5,780,322</u>	<u>5,343,621</u>
Other operating income and charges:		
Distribution costs	257,140	235,803
Administrative expenses	2,661,329	2,403,261
	<u>2,918,469</u>	<u>2,639,064</u>

**PERFORMANCE SAILCRAFT EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**3 NET INTEREST**

	1998	1997
	£	£
On bank loans and overdrafts	(2,863)	(4,258)
Other interest	(1,729)	-
Finance charges in respect of finance leases	(1,068)	(363)
	<u>(5,660)</u>	<u>(4,621)</u>
Interest receivable - from group companies	-	14,142
	<u>(5,660)</u>	<u>9,521</u>

**4 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows:

	1998	1997
	£	£
Wages and salaries	1,615,820	1,470,389
Social security costs	153,388	138,153
Other pension costs	43,753	48,573
Compensation for loss of office	17,000	55,000
	<u>1,829,961</u>	<u>1,712,115</u>

The average number of employees of the company during the year was:

	1998	1997
By category:		
Manufacturing	61	56
Distribution and selling	19	17
Office and management	8	11
	<u>88</u>	<u>84</u>

Remuneration in respect of directors was as follows:

	1998	1997
	£	£
Emoluments	189,767	165,315
Pension contributions to money purchase pension schemes	12,085	10,394
Compensation for loss of office	-	55,000
Incentive payments	1,569	-
	<u>203,421</u>	<u>230,709</u>

**PERFORMANCE SAILCRAFT EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**4 DIRECTORS AND EMPLOYEES (CONTINUED)**

During the year 4 directors (1997: 5 directors) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	1998 £	1997 £
Emoluments	56,036	54,743
Pension contributions to money purchase pension schemes	3,956	2,896
	=====	=====

**5 TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax (credit)/charge represents:

	1998 £	1997 £
Corporation tax at 31% (1997: 31%)	-	127,197
Group relief	(7,669)	-
	-----	-----
	(7,669)	127,197
Adjustment in respect of prior year: Corporation tax	(91,992)	(3,376)
	-----	-----
	(99,661)	123,821
	=====	=====

**6 DIVIDENDS**

	1998 £	1997 £
Interim dividend of £3 per Ordinary share (1997: £4 per Ordinary share)	150,000	200,000
	=====	=====

**7 INTANGIBLE FIXED ASSETS**

Trademarks comprise:

	£
Cost	
At 1 January 1998 and 31 December 1998	392,622
	=====

The directors believe that the value of the trademarks exceeded the above amount at the balance sheet date on the basis that the company will continue to derive future benefit from them.

**PERFORMANCE SAILCRAFT EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

<b>8</b>	<b>TANGIBLE FIXED ASSETS</b>	<b>Short leasehold land and buildings £</b>	<b>Motor vehicles and boats £</b>	<b>Other plant and machinery £</b>	<b>Fixtures, fittings, tools and equipment £</b>	<b>Total £</b>
	<b>Cost</b>					
	At 1 January 1998	49,114	121,091	214,052	1,150,671	1,534,928
	Additions	-	60,678	3,417	105,524	169,619
	Disposals	-	(30,000)	-	(68,339)	(98,339)
	At 31 December 1998	<u>49,114</u>	<u>151,769</u>	<u>217,469</u>	<u>1,187,856</u>	<u>1,606,208</u>
	<b>Depreciation</b>					
	At 1 January 1998	39,077	114,026	190,759	935,029	1,278,891
	Charge for year	3,907	17,133	8,961	97,933	127,934
	Eliminated on disposals	-	(30,000)	-	(63,600)	(93,600)
	At 31 December 1998	<u>42,984</u>	<u>101,159</u>	<u>199,720</u>	<u>969,362</u>	<u>1,313,225</u>
	<b>Net book amount at 31 December 1998</b>	<u><b>6,130</b></u>	<u><b>50,610</b></u>	<u><b>17,749</b></u>	<u><b>218,494</b></u>	<u><b>292,983</b></u>
	<b>Net book amount at 31 December 1997</b>	<u>10,037</u>	<u>7,065</u>	<u>23,293</u>	<u>215,642</u>	<u>256,037</u>

The net book value of fixed assets includes an amount of £31,035 (1997: £Nil) in respect of assets held under finance leases and hire purchase. Depreciation provided on these areas in 1998 was £5,299 (1997: £6,368).

<b>9</b>	<b>STOCKS</b>	<b>1998 £</b>	<b>1997 £</b>
	Raw materials and consumables	18,681	71,783
	Work in progress	99,959	35,032
	Finished goods and goods for resale	1,097,786	1,062,312
		<u><b>1,216,426</b></u>	<u><b>1,169,127</b></u>

**PERFORMANCE SAILCRAFT EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**10 DEBTORS**

	1998	1997
	£	£
Trade debtors	710,270	965,574
Amounts owed by group undertaking	7,669	-
Other debtors	5,121	93,744
Prepayments and accrued income	190,487	156,622
	<u>913,547</u>	<u>1,215,940</u>
	=====	=====

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998	1997
	£	£
Bank overdraft and loans	76,147	500
Trade creditors	684,518	851,569
Amounts owed to group undertakings	761,797	844,324
Corporation tax	-	151,430
Other tax and social security	67,038	49,148
Accruals and deferred income	170,239	168,731
Finance leases	12,196	-
	<u>1,771,935</u>	<u>2,065,702</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.

**12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998	1997
	£	£
Finance leases	12,969	-
Loan from Gavel Securities Limited	850,000	850,000
	<u>862,969</u>	<u>850,000</u>
	=====	=====

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

**PERFORMANCE SAILCRAFT EUROPE LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**13 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Warranty £</b>
At 1 January 1998	21,182
Utilised during the year	(22,336)
Provided during the year	21,516
At 31 December 1998	<u>20,362</u>

The warranty provision is the company's best estimate of the cost of fulfilling this obligation, based on the underlying claims rate by product line.

**14 SHARE CAPITAL**

	<b>1998 £</b>	<b>1997 £</b>
<b>Authorised</b>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Allotted, called up and fully paid</b>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

**15 DEFERRED TAXATION**

No deferred tax asset or liability has been recognised in the accounts.

The full potential deferred taxation asset, calculated on the liability method at 31% (1997: 31%) is analysed as follows:

	<b>1998 £</b>	<b>1997 £</b>
Accelerated capital allowances	23,559	26,073
Other short term timing differences	15,028	19,860
Losses available for relief	7,669	-
	<u>46,256</u>	<u>45,933</u>

**16 PROFIT AND LOSS ACCOUNT**

	<b>1998 £</b>	<b>1997 £</b>
At 1 January 1998	527,002	470,868
Retained (loss)/profit for the year	(36,268)	56,134
At 31 December 1998	<u>490,734</u>	<u>527,002</u>



## PERFORMANCE SAILCRAFT EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

#### 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	113,732	256,134
Dividends	(150,000)	(200,000)
Net (decrease)/increase in shareholders' funds	(36,268)	56,134
Shareholders' funds at 1 January 1998	577,002	520,868
Shareholders' funds at 31 December 1998	540,734	577,002

#### 18 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1998 or 31 December 1997.

#### 19 CONTINGENT LIABILITIES

The company has executed an unlimited guarantee in respect of its holding company, Gavel Securities Limited, and its fellow subsidiaries Laser Sailboats Limited and Dart Catamarans International Limited, as security for the group overdraft facility. At 31 December 1998 this amounted to £Nil (1997: £272,884).

#### 20 LEASING COMMITMENTS

Operating lease payments amounting to £215,435 (1997: £222,408) are due within one year. The leases to which these amounts relate expire as follows:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	-	1,586	-	8,559
Between one and five years	199,414	14,435	199,414	14,435
	<u>199,414</u>	<u>16,021</u>	<u>199,414</u>	<u>22,994</u>

#### 21 PENSION SCHEMES

The company operates two defined contribution pension schemes covering those employees who wish to take part. The pension costs represent the contributions payable to the pension schemes in respect of the accounting period.

The total pension cost to the company was £43,753 (1997: £48,573).

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. The actuarial value of the accrued benefits up to 5 April 1991 has been transferred to individual defined contribution personal pension plans to which the company contributes 6% of basic salary or has been returned to individual members in accordance with Inland Revenue rules.

**PERFORMANCE SAILCRAFT EUROPE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

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**22 RELATED PARTY TRANSACTIONS**

As a wholly-owned subsidiary of Gavel Securities Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by that company.

**23 ULTIMATE PARENT UNDERTAKING AND CONTROLLING RELATED PARTY**

The directors consider that Gavel Securities Limited is the intermediate holding company and controlling related party by virtue of shareholding with Sunleigh PLC being the ultimate parent undertaking.

Copies of the parent's consolidated financial statements may be obtained from Station Works, Long Buckby, Northampton, NN6 7PF.