

BB 1605
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PERFORMANCE SAILCRAFT EUROPE LIMITED
Registered number 922893

31 December 1994



DIRECTOR'S REPORT

The directors submit their report and audited accounts for the year ended 31 December 1994.

REVIEW OF THE BUSINESS AND FUTURE ACTIVITIES

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. 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.

TRADING RESULTS

The trading profit for the year ended 31 December 1994 was £323,533 (1993 £576,470) on a turnover of £7,321,543 (1993 £8,191,827)

The transfer to reserves was £147,300 (1993 £266,421) after paying interim dividends of £100,000 (1993 £150,000).

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 1994 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.

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.

INSURANCE OF DIRECTORS

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

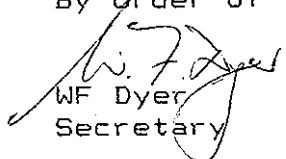
TAXATION STATUS

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

9th. February 1995

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.

By Order of the Board


WF Dyer
Secretary

9th. February 1995

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

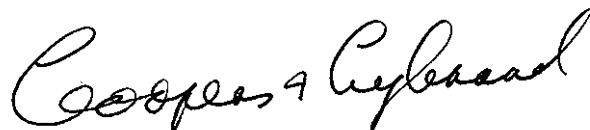
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND



Chartered Accountants
and Registered Auditors

22nd February 1995

NORTHAMPTON

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994	1993
TURNOVER	2	7,321,543	8,191,827
Cost of sales		4,890,662	5,430,395
GROSS PROFIT		2,430,881	2,761,432
Administrative expenses		2,106,571	2,189,177
Operating profit on continuing operations		324,310	572,255
Interest receivable		(2,319)	(5,931)
Interest payable and similar charges	3	3,096	1,716
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	323,533	576,470
Tax on ordinary activities	6	76,233	160,049
PROFIT FOR THE FINANCIAL YEAR		247,300	416,421
Interim Dividends	7	100,000	150,000
MOVEMENT IN RESERVES	15	£ 147,300	£ 266,421
		=====	=====

All activity for 1994 and 1993 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 1994

	Notes	1994	1993
<hr/>			
FIXED ASSETS			
Intangible assets	8	392,622	392,622
Tangible assets	9	322,435	256,214
		<hr/>	<hr/>
		715,057	648,836
<hr/>			
CURRENT ASSETS			
Stocks	10	849,000	935,604
Debtors	11	1,247,321	1,156,040
Cash at bank and in hand		128,236	185,198
		<hr/>	<hr/>
		2,224,557	2,276,842
<hr/>			
CREDITORS: Amounts falling due within one year	12	1,646,260	1,770,862
<hr/>			
NET CURRENT ASSETS		578,297	505,980
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		1,293,354	1,154,816
<hr/>			
CREDITORS: Amounts falling due after more than one year	13	891,142	899,904
		<hr/>	<hr/>
	£	402,212	£ 254,912
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account	15	352,212	204,912
<hr/>			
EQUITY SHAREHOLDERS FUNDS	£	402,212	£ 254,912
		<hr/>	<hr/>

Approved by the Board on 9th. February 1995
and signed on its behalf by



DIRECTOR

TW COVENTRY

NOTES TO THE ACCOUNTS 31 DECEMBER 1994

1 ACCOUNTING POLICIES

(1) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom which have been applied consistently.

(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	Over the remaining life of the lease
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 1994 (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.

(10) Deferred Tax

Deferred taxation in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected with reasonable certainty to continue in the foreseeable future

Deferred taxation assets are recognised only to the extent that the timing differences are likely to reverse and result in a tax payment.

(11) Cash flow statement

As a wholly owned subsidiary of Gavel Securities Limited, the company has not prepared a cash flow statement as permitted by Financial Reporting Standard 1. paragraph 8c.

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

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:

	1994	1993
	-----	-----
United Kingdom	3,673,032	3,332,842
Europe	2,789,267	4,161,663
Middle and Far East	598,513	501,458
Others	260,731	195,864
	-----	-----
£ 7,321,543	£8,191,827	
=====	=====	

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging the following amounts:

	1994	1993
	-----	-----
Management charge payable to Gavel Securities Limited	£ 180,000	£ 180,000
Depreciation	£ 117,655	£ 119,148
Auditors' remuneration - Audit	£ 10,000	£ 10,200
- Tax and other	£ 11,500	£ 4,820
Emoluments of the directors of the company (note 5) including pension contributions	£ 184,337	£ 202,808
Hire of plant, machinery and vehicles	£ 10,021	£ 11,210
Rental payments under operating leases	£ 210,918	£ 220,405
	=====	=====
Interest payable		
Finance charges payable under hire purchase contracts	1,541	1,176
Other interest	1,555	540
	-----	-----
£ 3,096	£ 1,716	
=====	=====	

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

4 STAFF COSTS

Staff costs during the year were as follows:	1994	1993
	-----	-----
Wages and salaries	1,290,141	1,422,094
Social security costs	122,358	135,670
Other pension costs	42,310	41,478
	-----	-----
	£ 1,454,809	£1,599,242
	=====	=====

The average number of persons employed:

	1994	1993
	-----	-----
Manufacturing	65	73
Distribution and Selling	14	12
Office and Management	10	9
	-----	-----
	89	94
	-----	-----

5 EMOLUMENTS OF DIRECTORS

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

	1994	1993
	-----	-----
Chairman	£ -	£ -
	=====	=====
Highest paid director	£ 45,018	£ 49,912
	=====	=====
Directors including those above:		
	Number	Number
	-----	-----
£ Nil - £5,000	4	4
£35,001 - £40,000	-	-
£40,001 - £45,000	3	-
£45,001 - £50,000	1	4
	=====	=====

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994	1993
	-----	-----
Corporation tax at 33% (1993 33%)	76,233	168,058
Prior year adjustments		
Corporation Tax	-	(8,009)
	-----	-----
	£ 76,233	£ 160,049
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

7 DIVIDENDS

	1994	1993
	-----	-----
Interim Dividends of £2 per Ordinary Share (1993 - £3 per Ordinary Share)	£ 100,000	£ 150,000
	=====	=====

8 INTANGIBLE FIXED ASSETS

Trademarks comprise:	1994	1993
	-----	-----
Original Cost		
At 1 January 1994 and 31 December 1994	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 £	Building £	Plant & machinery Motor vehicles & boats £	Other plant & machinery £	Fixtures, Total fittings, tools & equipment £	
	-----	-----	-----	-----	-----	-----
Original Cost						
At 1 January 1994	23,486	25,628	140,109	184,032	771,601	1,144,856
Additions	-	-	30,000	7,500	146,376	183,876
Disposals	-	-	(31,854)	-		(31,854)
At 31 December 1994	23,486	25,628	138,255	191,532	917,977	1,296,878
Depreciation						
At 1 January 1994	15,855	7,887	99,573	143,002	622,325	888,642
Charge for year	1,088	2,664	18,104	19,908	75,891	117,655
Disposals	-	-	(31,854)	-		(31,854)
At 31 December 1994	16,943	10,551	85,823	162,910	698,216	974,443
Net book value						
At 31 December 1994	6,543	15,077	52,432	28,622	219,761	322,435
	=====	=====	=====	=====	=====	=====
At 31 December 1993	7,631	17,741	40,536	41,030	149,276	256,214
	=====	=====	=====	=====	=====	=====

The net book value of fixed assets includes an amount of £49,151 (1993 - £ 35,481) in respect of assets held under hire purchase. Depreciation provided on these assets in 1994 was £12,455 (1993 £4,789).

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

10 STOCKS	1994	1993
Raw materials and consumables	29,169	58,219
Work in progress	44,746	20,319
Finished goods and goods for resale	775,085	857,066
	<u>£ 849,000</u>	<u>£ 935,604</u>
	=====	=====

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

11 DEBTORS	1994	1993
Trade debtors	885,395	953,514
Amounts owed by group undertakings	130,488	60,227
ACT Recoverable	30,197	22,946
Other debtors	64,096	40,230
Prepayments and accrued income	137,145	79,123
	<u>£ 1,247,321</u>	<u>£ 1,156,040</u>
	=====	=====

All of the above are due within one year except ACT recoverable.

12 CREDITORS: Amounts falling due within one year	1994	1993
Bank overdraft & loans	12,000	12,000
Trade creditors	670,931	690,282
Accruals and deferred income	159,501	270,616
Corporation tax	22,580	38,846
Other tax and social security	37,505	38,132
Amounts owed to group undertakings	694,016	669,680
Obligations under hire purchase contracts	19,735	14,405
Amount owed to Group company	29,992	
Amount owed to Sunleigh plc	-	36,901
	<u>£ 1,646,260</u>	<u>£ 1,770,862</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	1994	1993
Loan from Gavel Securities Limited	850,000	850,000
Obligations under hire purchase contracts	17,642	14,404
Long term Bank loan	23,500	35,500
	<u>£ 891,142</u>	<u>£ 899,904</u>
	=====	=====

The loan from Gavel Securities Limited is unsecured and interest free with no repayment terms.
Obligations under hire purchase contracts are all due within five years of the Balance Sheet date.

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

14 SHARE CAPITAL

	1994	1993
Ordinary shares of £1 each:	-----	-----
Authorised	£ 50,000	£ 50,000
	=====	=====
Allotted and fully paid	£ 50,000	£ 50,000
	=====	=====

15 PROFIT AND LOSS ACCOUNT

	1994	1993
Profit brought forward 1 January 1994	204,912	(61,509)
Profit for the year	147,300	266,421
Profit carried forward 31 December 1994	£ 352,212	£ 204,912
	=====	=====

16 RECONCILIATION OF THE MOVEMENT ON SHAREHOLDERS' FUNDS

	1994	1993
Profit after tax	247,300	416,421
Dividends	(100,000)	(150,000)
Opening Shareholders' Funds	254,912	(11,509)
	-----	-----
Closing Shareholders' Funds	£ 402,212	254,912
	-----	-----

17 DEFERRED TAXATION

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

The full potential deferred taxation asset, calculated on the liability method at 33% (1993 33%) is analysed as follows-

	1994	1993
Accelerated capital allowances	29,562	40,067
Other short term timing differences	8,392	10,779
	-----	-----
	£ 37,954	£ 50,846
	-----	-----

18 CAPITAL COMMITMENTS

As at 31 December 1994 there was a capital commitment of £Nil (1993 - Nil). Contracts approved by the Board of Directors but not contracted amounted to £Nil (1993- Nil).

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

19 LEASE OBLIGATIONS

At 31 December 1994 the Company had annual commitments under non-cancellable operating leases as follows:

£'000	1994		1993	
	Land and Buildings	Other	Land and Buildings	Other
Lease expiry date				
Within one year	-	3,484	103,000	7,883
From one to five years	-	17,502	-	11,608
Over five years	199,414	-	107,194	-
	199,414	20,986	210,194	19,491

20 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.

21 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 8PY.

22 IMMEDIATE HOLDING COMPANY

The company's immediate holding company is Gavel Securities Limited, a company registered in England and Wales.

NOTES TO THE ACCOUNTS 31 DECEMBER 1994 (CONTINUED)

23 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 total pension cost to the company was £42,310 (1993 - £41,478).

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.