

PERFORMANCE SAILCRAFT EUROPE LIMITED
Registered number 922893

31 December 1991



DIRECTOR'S REPORT

The directors submit their report and audited accounts for the year ended 31 December 1991.

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.

On the 1 January 1991 the trading operations of Dart Catamarans International Limited were transferred to Performance Sailcraft Europe Limited together with all the associated assets and liabilities.

TRADING RESULTS

The trading loss for the year ended 31 December 1991 was £162,929 on a turnover of £7,706,337.

The directors declared an interim dividend of £173,000 in respect of the year ended 31 December 1991. No final dividend is proposed.

The transfer from reserves was £320,182.

FIXED ASSETS

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

DIRECTORS

The directors of the company throughout the year ended 31 December 1991 were as follows:

RS Upsdell - Chairman
P Bulman
TW Coventry
CF Nichols
PACH Phipps
HC Reader
RC Simmonds

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.

RS Upsdell, TW Coventry, PACH Phipps, P Bulman and RC Simmonds are directors of Gavel Securities Limited, the ultimate parent company, and their share holdings in that company are disclosed in its accounts.

DIRECTORS (continued)

HC Reader and CF Nichols have the following interests in the shares of the ultimate parent company.

	1991	1990
Ordinary shares		
HC Reader	4,285	4,285
CF Nichols	4,285	4,285
Convertible redeemable cumulative preference shares		
HC Reader	1,224	1,224
CF Nichols	1,224	1,224

TAXATION STATUS

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

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to be re-appointed and a resolution to that effect will be proposed at the Annual General Meeting.

By Order of the Board


WF Dyer
Secretary

24 February 1992

PRICE WATERHOUSE

Livery House
169 Edmund Street
Birmingham B3 2JB

AUDITORS' REPORT TO THE MEMBERS OF
PERFORMANCE SAILCRAFT EUROPE LIMITED

We have audited the financial statements on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1991 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse Price Waterhouse

PRICE WATERHOUSE

BIRMINGHAM

Chartered Accountants
and Registered Auditor

24 February 1992

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1991

	Notes	1991	1990
TURNOVER	2	7,706,337	6,694,962
Cost of sales		5,488,401	4,536,472
GROSS PROFIT		2,217,936	2,158,490
Administrative expenses		2,330,505	1,871,766
Operating (loss)/profit on continuing operations		(112,569)	286,724
Operating loss on discontinued operations	22	-	34,709
Exceptional item	23	33,143	-
Interest payable and similar charges	3	17,217	17,148
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(162,929)	234,861
Tax on (loss)/profit on ordinary activities	7	(31,591)	50,160
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(131,338)	184,701
Extraordinary charge	22	15,844	25,000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(147,182)	159,701
Interim Dividend	21	173,000	-
MOVEMENT IN RESERVES	15	£ (320,182)	£ 159,701
		=====	=====

BALANCE SHEET - 31 DECEMBER 1991

	Notes	1991	1990
FIXED ASSETS			
Intangible assets	8	376,865	311,851
Tangible assets	9	367,094	450,811
		743,959	762,662
CURRENT ASSETS			
Stocks	10	1,040,871	947,219
Debtors	11	927,871	883,511
Cash at bank and in hand		5,441	5,431
		1,974,189	1,836,171
CREDITORS: Amounts falling due within one year	12	1,931,569	1,754,851
NET CURRENT ASSETS		42,620	81,311
TOTAL ASSETS LESS CURRENT LIABILITIES	£	786,579	£ 843,971
CREDITORS: Amounts falling due after more than one year	13	706,930	444,141
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account	15	29,649	349,831
	£	786,579	£ 843,971

Approved by the Board on 24 February 1992
and signed on its behalf

DIRECTOR

TW Coventry

[Handwritten signatures and initials]

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SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1991

SOURCE OF FUNDS	1991	1990
(Loss)/Profit on ordinary activities before tax and extraordinary charges	(162,929)	234,867
Extraordinary charges	(15,844)	(25,000)
	<u>(178,773)</u>	<u>209,867</u>
Adjustments for items not involving the movement of funds:		
Depreciation	195,049	162,277
(Profit)/Loss on disposal of fixed assets	37,810	(9,714)
Provision for loss on sale	-	25,000
	<u>232,859</u>	<u>177,563</u>
Funds generated by operations	<u>54,086</u>	<u>387,430</u>
FUNDS FROM OTHER SOURCES		
Proceeds of disposal of fixed assets	196,661	58,886
	<u>250,747</u>	<u>446,316</u>
APPLICATION OF FUNDS		
Additions to trade marks	53,323	44,442
Purchase of tangible fixed assets	135,203	378,620
Inter-group transfers of fixed assets	222,289	
Corporation tax paid	13,997	90,164
Dividend paid	173,000	500,000
	<u>597,812</u>	<u>1,013,226</u>
	<u>(347,065)</u>	<u>(566,910)</u>
CHANGE IN WORKING CAPITAL		
(Increase)/Decrease in stock	(93,656)	(185,190)
(Increase) in debtors	(44,359)	(131,792)
Increase/(Decrease) in creditors	796,880	582,873
	<u>658,865</u>	<u>265,891</u>
INCREASE/(DECREASE) IN NET LIQUID FUNDS	£ 311,800	£ (301,019)
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1991

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:

Plant, machinery, fixtures and fittings	15%-20% straight line
Moulds	20%-33 1/3% straight line
Office equipment	20% straight line
Motor vehicles and yachts	10%-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. Where such costs represent tangible assets they are capitalised and depreciated as set out in note 1(3) above. Other costs are written off in the year in which they are incurred.

(5) Stocks

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

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

(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.

(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 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 become payable. The company had a defined benefit pension scheme and contributions were charged to the profit and loss account so as to spread the regular cost over the average service lives of employees in accordance with the advice of qualified actuaries. This scheme was wound up with effect from 5 April 1991 and employees can now arrange defined contribution personal pension plans to which the company contributes 6% of basic salary.

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (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:

	1991	1990
United Kingdom	3,715,850	3,877,180
Europe	3,428,349	2,513,730
Middle and Far East	314,603	138,430
Others	247,535	165,610
£	7,706,337	£ 6,694,960
	=====	=====

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

	1991	1990
Management charge payable to Gavel Securities Limited	£ 250,000	£ 230,000
Depreciation	£ 195,049	£ 162,270
Auditors' remuneration	£ 21,800	£ 17,000
Emoluments of the directors of the company (note 5)	£ 176,564	£ 162,580
Hire of plant, machinery and vehicles	£ 6,587	£ 3,390
Rental payments under operating lease	£ 179,786	£ 119,760
	=====	=====
Interest payable on bank borrowings repayable within five years	135	4,830
Finance charges payable under hire purchase contracts	13,236	12,310
Other interest	3,846	-
£	17,217	£ 17,140
	=====	=====

4 STAFF COSTS

Staff costs during the year were as follows:

	1991	1990
Wages and salaries	1,477,616	1,027,190
Social security costs	140,385	88,950
Other pension costs	33,057	23,170
£	1,651,058	£ 1,139,320
	=====	=====

The average number of persons employed during the year was 118 (1990 - 84)

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

5 EMOLUMENTS OF DIRECTORS

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

	1991	1990
Chairman	£ -	£ -
Highest paid director	£ 44,520	£ 42,220
Other directors:		
	Number	Number
£ Nil - £5,000	2	3
£30,001 - £35,000	-	1
£40,001 - £45,000	3	2

Transactions with directors

6 COMMITMENTS UNDER OPERATING LEASES

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

	1991	1990
LAND AND BUILDINGS		
Operating leases which expire in the second to fifth years inclusive	£ 123,938	£ 125,825
One of these leases, with an annual commitment of £30,000 is non-cancellable until 31 December 1993 from which time it can be extended for one year.		
Operating leases which expire after 5 years	£ 72,164	£ 72,164
OTHER LEASES		
Operating leases which expire in the second to fifth years inclusive	£ 13,225	£ 3,291
Operating leases which expire after 5 years	£ 2,513	£ 2,413

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1991	1990
Corporation tax at Nil% (1990 32.5%)	-	47,000
Under reserve in previous years	8,504	3,164
Adjustment for 1991 losses carried back	(40,095)	-
	(31,591)	50,164

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

8 INTANGIBLE FIXED ASSETS

Trademarks comprise:	1991	1990
Original Cost		
At 1 January 1991	311,851	267,409
Additions	53,323	44,442
Transfers from Group Company	11,691	-
At 31 December 1991	£ 376,865	£ 311,851
	=====	=====

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 & yachts £	Other plant & machinery £	Fixtures, fittings, tools & equipment £	Total £
Original Cost						
At 1 January 1991	-	-	425,484	70,332	441,055	936,871
Additions	-	25,628	15,893	3,996	89,686	135,203
Transfers	39,639	-	83,314	82,218	189,675	394,846
Disposals	(16,153)	-	(380,325)	-	-	(396,478)
At 31 December 1991	23,486	25,628	144,366	156,546	720,416	1,070,442
Depreciation						
At 1 January 1991	-	-	154,262	40,261	291,535	486,058
Charge for year	11,959	2,696	60,937	24,306	95,151	195,049
Transfers	18,202	-	38,278	35,305	92,464	184,249
Disposals	(16,153)	-	(145,855)	-	-	(162,008)
At 31 December 1991	14,008	2,696	107,622	99,872	479,150	703,348
Net book value						
At 31 December 1991	9,478	22,932	36,744	56,674	241,266	367,094
At 31 December 1990	-	-	271,222	30,071	149,520	450,813

The net book value of fixed assets includes an amount of £ 27,697 (1990 - £ 87,298) in respect of assets held under hire purchase

The net book value of fixed assets includes an amount of £ 29,444 in respect of capitalised development costs, the amortisation for the year was £ 5,415.

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NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

10 STOCKS

Raw materials and consumables
Work in progress
Finished goods and goods for resale

	1991	1990
	67,584	77,672
	16,573	25,194
	956,718	844,353
£	1,040,875	£ 947,219
	=====	=====

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

11 DEBTORS

Trade debtors
Amounts owed by group undertakings
Other debtors
Prepayments and accrued income

	1991	1990
	736,015	688,564
	85,518	105,554
	43,880	18,370
	62,460	71,026
£	927,873	£ 883,514
	=====	=====

12 CREDITORS: Amounts falling due within one year

Bank overdraft & loans
Trade creditors
Accruals and deferred income
Corporation tax
Other tax and social security
Amounts owed to group undertakings
Obligations under hire purchase contracts
Other creditors
Provision for loss on sale

	1991	1990
	232,758	544,556
	607,286	489,487
	150,676	86,122
	1,412	47,000
	55,985	30,302
	840,807	478,206
	15,944	35,116
	26,701	19,065
	-	25,000
£	1,931,569	£ 1,754,856
	=====	=====

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

Loan from Gavel Securities Limited
Obligations under hire purchase contracts

	1991	1990
	700,000	400,000
	6,930	44,147
£	706,930	£ 444,147
	=====	=====

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

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

14 SHARE CAPITAL

	1991	1990
Ordinary shares of £1 each:		
Authorised	£ 50,000	£ 50,0
	=====	=====
Allotted and fully paid	£ 50,000	£ 50,0
	=====	=====

15 PROFIT AND LOSS ACCOUNT

	1991	1990
Profit brought forward 1 January 1991	349,831	190,1
Profit/(Loss) for the year	(320,182)	159,7
Profit carried forward 31 December 1991	£ 29,649	£ 349,8
	=====	=====

16 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 25% (1990 33.25%) is analysed as follows-

	1991	1990
Accelerated capital allowances	4,548	27,000
Other short term timing differences	6,466	6,500
Losses available for relief	7,033	-
	£ 18,047	£ 33,500

17 CAPITAL COMMITMENTS

As at 31 December 1991 there was a capital commitment of £NIL (1990 - £9,450). Contracts approved by the Board of Directors but not contracted amounted to £NIL (1990 - Nil).

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

18 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.

Legal claim -

Dart Catamarans International Limited ("DCI") has received a legal writ from its former Italian agent following termination of the agency agreement in 1989. The writ claims damages for unrealised profits and reimbursement of certain expenses which are unquantified DCI has submitted a counter claim against the former agent for failure to carry out his duties as distributor. Having taken legal advice the directors believe that the claim will not succeed and that no material liability will arise. Accordingly no provision has been made.

Pension scheme -

As stated in Note 20 the defined benefit scheme was wound up on 5 April 1991. The final termination details have not yet been determined by the actuary to that scheme. It is therefore possible that further liabilities could arise, for which no provision has been made. Indications from external advisers have however been given to the directors that such further liabilities would not be material.

19 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Gavel Securities Limited, a company registered in England, which has indicated its intention to provide financial support for the foreseeable future.

Copies of the group accounts can be obtained from Riverside, Banbury, Oxon., OX16 8TL.

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

20 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. At its commencement in 1986 the scheme funding was set at 9.1% to ensure a funding deficit would not occur. No actuarial valuation is yet available. No provision has been made for any funding deficit which may arise.

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 £33,057 (1990 - £23,179).

21 DIVIDENDS

	1991	1990
	<hr/>	<hr/>
Interim Dividend of £3.46 per Ordinary Share	£ 173,000	£ -
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1991 (CONTINUED)

22 OPERATING LOSS ON DISCONTINUED OPERATIONS AND EXTRAORDINARY CHARGE

The operating loss on discontinued operations represented the costs associated with the Performance Challenge venture which was closed down in 1990. An analysis of these costs is as follows:

	1991	1990
Promotion, running costs and maintenance	-	20,461
Depreciation	-	14,241
	<u>£ -</u>	<u>£ 34,702</u>
	=====	=====

In accordance with accepted accounting practice, no account has been taken of any interest costs associated with this venture. The cost of any staff or management time has not been apportioned as no additional staff were employed and there was no reduction in numbers employed upon cessation.

The extraordinary charge represents further costs which have been incurred after the decision to close the operation and the realised loss on sale of the asset during 1991. Total loss on the sale of asset was £38,219 of which £25,000 was provided in 1990.

	1991	1990
Promotion, running costs and maintenance	2,625	-
Provision for losses on sale of the asset	-	25,000
Loss on sale of the asset	13,219	-
	<u>£ 15,844</u>	<u>£ 25,000</u>
	=====	=====

23 EXCEPTIONAL ITEM

The exceptional item represents the costs associated with the closure of all administrative functions at the Penryn site.