

MARLIN LEISURE LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
30 August 1998**

KIDSONS IMPEY

Chartered Accountants

HULL



MARLIN LEISURE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 AUGUST 1998

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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MARLIN LEISURE LIMITED

Directors

F.W. Wood (Chairman)
A.J. Richards (Managing)
P.A. Bradbury
C.J. Hedger
M.J. Whitcombe

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-two weeks ended 30 August 1998 ("the year").

Business review

The principal activities of the company continued to be the manufacture and sale of wetsuits and marine clothing products.

The strength of sterling continued to adversely affect export performance, but volumes and margins overall improved significantly during the year.

The trading results for the year are set out in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend for the year.

As part of a group restructuring, the trading operations of the company were transferred to Cosalt International Limited, a fellow subsidiary undertaking, with effect from the start of business on 31 August 1998.

Directors

The membership of the Board is shown above. All served on the Board for the whole of the financial year, with the exception of Mr. A.J. Richards who was appointed on 24 July 1998. In addition, Mr. R.V. Estcourt served on the Board during the year until his resignation on 24 July 1998.

Mr. A.J. Richards retires at the Annual General Meeting and, being eligible, offers himself for re-election.

Mr. M.J. Whitcombe retires by rotation and, being eligible, offers himself for re-election.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company.

The interest of Mr. F.W. Wood in the share capital of Cosalt plc, the ultimate parent company, is disclosed by that company. The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	At 30 August 1998	At 1 September 1997 (or date of appointment if later)
A.J. Richards	-	-
P.A. Bradbury	1,724	1,316
C.J. Hedger	-	4,749
M.J. Whitcombe	-	2,250

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

MARLIN LEISURE LIMITED

DIRECTORS' REPORT

(continued)

Directors' shareholdings (continued)

Mr. P.A. Bradbury also held options to purchase Cosalt plc ordinary shares under the various Cosalt plc Executive Share Option Schemes as follows:

At 1 September 1997	Granted during year	At 30 August 1998	Exercise price	Dates from which exercisable	Expiry date
8,000	-	8,000	164p	17.12.95	16.12.02
8,000	-	8,000	111.70p	22.12.96	21.12.03
10,000	-	10,000	140p	15.12.97	14.12.04
10,000	-	10,000	219.50p	17.02.00*	16.02.04
<u> -</u>	<u>10,000</u>	<u>10,000</u>	232.50p	23.12.00*	22.12.04
<u>36,000</u>	<u>10,000</u>	<u>46,000</u>			

* Performance criteria must be met before exercise permitted.

No options lapsed during the year. No options were exercised during the year.

The market price of Cosalt plc ordinary shares at 30 August 1998 was 197.50p and the range during the year was 196.50p to 277.50p.

Fixed assets

The movements in tangible fixed assets are set out in note 7 to the financial statements. In note 15 additional information is provided on assets used by the company which are subject to lease agreements.

Auditors

The auditors, Messrs. Kidsons Impey, Chartered Accountants, have intimated their willingness to continue in office.

By order of the Board



A.B. Clark

Secretary

Fish Dock Road,
Grimsby.

23 November 1998.

MARLIN LEISURE LIMITED**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 at the end of the year, 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 assume 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 taking reasonable steps for the prevention of fraud and other irregularities.

MARLIN LEISURE LIMITED**REPORT OF THE AUDITORS TO THE MEMBERS**

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

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 financial statements and to report our opinion to you.

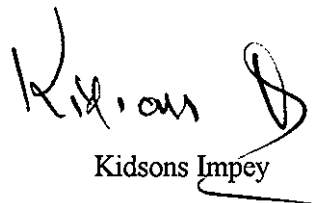
Basis of opinion

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 as at 30 August 1998 and of its profit for the fifty-two weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Kidsons Impey

Hull: 23 November 1998.

Registered Auditors
Chartered Accountants

MARLIN LEISURE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE FIFTY-TWO WEEKS ENDED 30 AUGUST 1998

	Note	52 weeks ended 30 August 1998 £	52 weeks ended 31 August 1997 £
Turnover	2	<u>1,549,283</u>	<u>1,291,507</u>
Operating profit	3	285,552	121,382
Provision for reorganisation costs		-	(60,000)
Utilisation of provision		44,216	-
Interest payable and similar charges	4	<u>(353)</u>	<u>(423)</u>
Profit on ordinary activities before taxation		329,415	60,959
Taxation	6	<u>(99,938)</u>	<u>(15,905)</u>
Profit for the financial year retained	14	<u>229,477</u>	<u>45,054</u>

All operations are classed as continuing.

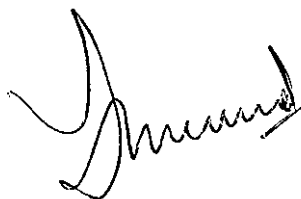
The company has no recognised gains or losses other than the profits for the years disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

MARLIN LEISURE LIMITED
BALANCE SHEET - 30 AUGUST 1998

	Note	30 August 1998		31 August 1997	
		£	£	£	£
Fixed assets					
Tangible fixed assets	7		11,871		11,196
Current assets					
Stocks	8	413,046		554,542	
Debtors	9	36,626		76,376	
Bank and cash balances		<u>134</u>		<u>756</u>	
		449,806		631,674	
Creditors					
Amounts falling due within one year	10	<u>274,514</u>		<u>640,968</u>	
Net current assets/(liabilities)			<u>175,292</u>		<u>(9,294)</u>
Total assets less current liabilities			187,163		1,902
Provisions for liabilities and charges	12		<u>15,784</u>		<u>60,000</u>
Net assets/(liabilities)			<u>171,379</u>		<u>(58,098)</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account	14		<u>170,379</u>		<u>(59,098)</u>
Equity shareholders' funds	14		<u>171,379</u>		<u>(58,098)</u>

Approved by the Board on 23 November 1998.

F.W. Wood - Director



The notes on pages 7 to 12 form part of these financial statements.

MARLIN LEISURE LIMITED**NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998****1 Accounting policies****Basis of accounting**

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

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds it is a wholly owned subsidiary of a parent undertaking which publishes a consolidated cash flow statement.

Depreciation

Tangible fixed assets are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Plant and machinery	5% - 20%
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Leased assets

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account. All other payments under lease agreements are charged in full to profit and loss account.

Stocks

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

Deferred taxation

Provision is made on the liability method for deferred taxation, arising from the different treatment of certain items for taxation and accounting purposes, unless there is reasonable probability that such deferred taxation will not be payable in the foreseeable future.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at approximate rates of exchange ruling at the balance sheet date except where the transaction is to be settled at a contracted rate. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences arising are included in the profit and loss account for the year.

MARLIN LEISURE LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

2 Turnover

Turnover represents the goods and services, excluding value added tax, invoiced to customers arising from the principal activity of the manufacture and sale of wetsuits and marine clothing products.

The geographical analysis of turnover is as follows:

	1998 £	1997 £
United Kingdom	1,144,503	799,007
Overseas	<u>404,780</u>	<u>492,500</u>
	<u>1,549,283</u>	<u>1,291,507</u>

All turnover originated in the United Kingdom.

3 Operating profit

Operating profit has been arrived at after charging/(crediting):

	1998 £	1997 £
Movement in stocks of finished goods and work in progress	99,412	(20,396)
Raw materials and consumables	810,623	661,969
Auditors' remuneration	3,000	3,000
Operating lease charges	-	20,319
Other external charges	119,455	129,495
Staff costs (note 5)	227,516	277,567
Depreciation on owned assets	2,269	2,559
Depreciation on assets held under finance leases	1,456	612
Other operating charges	<u>-</u>	<u>95,000</u>
	<u>1,263,731</u>	<u>1,170,125</u>

4 Interest payable and similar charges

	1998 £	1997 £
Interest on finance leases	<u>353</u>	<u>423</u>

MARLIN LEISURE LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

5 Directors and employees

	1998	1997
Staff costs:	£	£
Wages and salaries	213,927	256,492
Social security costs	<u>13,589</u>	<u>21,075</u>
	<u>227,516</u>	<u>277,567</u>

None of the directors received any remuneration from the company during the year (1997 - Nil).

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

	1998	1997
Management and administration	2	3
Sales and production	<u>12</u>	<u>25</u>
	<u>14</u>	<u>28</u>

6 Taxation

	1998	1997
The taxation charge based on the profit on ordinary activities is:	£	£
U.K. corporation tax payable at 31% (1997 -32.16%)	83,500	38,000
Deferred taxation	<u>19,744</u>	<u>(18,600)</u>
	103,244	19,400
Prior year adjustments:		
Corporation tax	-	(3,495)
Deferred taxation	<u>(3,306)</u>	<u>-</u>
	<u>99,938</u>	<u>15,905</u>

MARLIN LEISURE LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

7 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 September 1997	80,234
Additions	<u>4,400</u>
At 30 August 1998	<u>84,634</u>
Depreciation	
At 1 September 1997	69,038
Charged to profit and loss account	<u>3,725</u>
At 30 August 1998	<u>72,763</u>
Net book values	
At 30 August 1998	<u>11,871</u>
At 31 August 1997	<u>11,196</u>

The following tangible fixed assets held under finance lease agreements are included above:

	1998 £	1997 £
Cost	7,280	7,280
Depreciation	<u>6,437</u>	<u>4,981</u>
Net book value	<u>843</u>	<u>2,299</u>

8 Stocks

	1998 £	1997 £
Raw materials	54,107	96,191
Work in progress	11,565	26,687
Finished goods	<u>347,374</u>	<u>431,664</u>
	<u>413,046</u>	<u>554,542</u>

9 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	-	73
Deferred taxation (note 11)	2,162	18,600
Taxation recoverable	24,114	23,482
Prepayments and accrued income	<u>10,350</u>	<u>34,221</u>
	<u>36,626</u>	<u>76,376</u>

MARLIN LEISURE LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

10 Creditors

	1998 £	1997 £
Amounts falling due within one year:		
Bank overdraft	-	12,717
Trade creditors	27,265	39,257
Amount owed to ultimate parent company	93,301	-
Amount owed to parent company	12,659	12,659
Amount owed to fellow subsidiary company	49,845	453,924
Corporation tax	83,685	99,688
Other taxation	1,807	3,489
Social security	1,909	4,068
Accruals	3,800	13,710
Obligations under finance leases (note 15)	<u>243</u>	<u>1,456</u>
	<u>274,514</u>	<u>640,968</u>

11 Deferred taxation

The debtor for deferred taxation included in the balance sheet consists of:

	1998 £	1997 £
Delayed tax allowances	2,348	-
Other timing differences	<u>(186)</u>	<u>18,600</u>
	<u>2,162</u>	<u>18,600</u>

12 Provisions for liabilities and charges

	£
Provision for reorganisation costs:	
At 31 August 1997	60,000
Utilised in year	<u>(44,216)</u>
At 30 August 1998	<u>15,784</u>

13 Called up share capital

	1998 £	1997 £
Authorised, issued and fully paid:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

MARLIN LEISURE LIMITED

NOTES ON FINANCIAL STATEMENTS - 30 AUGUST 1998

(continued)

14 Reserves

	1998	1997
	£	£
Reconciliation of movements in equity shareholders' funds:		
Profit for the financial year and net addition to equity shareholders' funds	229,477	45,054
Opening equity shareholders' funds - adverse	<u>(58,098)</u>	<u>(103,152)</u>
Closing equity shareholders' funds	<u>171,379</u>	<u>(58,098)</u>
Profit and loss account:	£	
Balance at 1 September 1997 - adverse	(59,098)	
Profit for the financial year	<u>229,477</u>	
Balance at 30 August 1998	<u>170,379</u>	

15 Leasing obligations

	1998	1997
	£	£
Future commitments due under finance leases are:		
Within one year	313	1,879
Less: future finance charges	<u>70</u>	<u>423</u>
	<u>243</u>	<u>1,456</u>
Shown in creditors (note 10) as:		
Amounts falling due within one year	<u>243</u>	<u>1,456</u>

16 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies as permitted by Financial Reporting Standard 8 as the consolidated financial statements in which the company is included are publicly available.

17 Ultimate parent company

The immediate parent company is Crewsaver Holdings Limited, which is incorporated in England. The ultimate parent company is Cosalt plc., which is incorporated in England.