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**PERFORMANCE SAILCRAFT
EUROPE LIMITED**

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2006



Company no 922893

PERFORMANCE SAILCRAFT EUROPE LIMITED

ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

Company registration number	922893
Registered office	Station Works Long Buckby Northampton NN6 7PF
Directors	R Clucas D Graham
Secretary	M Abrahams
Bankers	Barclays Bank PLC Manufacturing, Technology and Communications Level 27 1 Churchill Place London E14 5HP
Solicitors	Bradshaw Hollingsworth 70 London Road Leicester LE2 0QD
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants Elgin House Billing Road Northampton NN1 5AU

PERFORMANCE SAILCRAFT EUROPE LIMITED

ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

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PERFORMANCE SAILCRAFT EUROPE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

The directors present their report together with financial statements for the year ended 31 December 2006

Principal activities

The principal activities of the company are the exploitation of the Laser and Dart trademarks and copyright agreements for the supply, distribution and sale of Laser and Dart sailing boats together with related spares and accessories

New boats are developed on a regular basis to maintain the company's competitive position

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements and are discussed further in the business review below

The company has paid the following dividends during the year

	2006 £	2005 £
Dividends paid on ordinary shares	1,000,000	1,200,000

Business review

The company is the main trading subsidiary of Gavel Securities Limited, selling sailing boats, spares and accessories within UK and Europe

2006 has been an excellent year for the company and performance has been in line with expectations, particularly in our international markets

Our markets are highly competitive, although the company's brands are regarded as market leaders and command an appropriate price premium

Financial performance

Financial performance for the year has been analysed as follows

	Year to 31 December 2006 £'000	Year to 31 December 2005 £'000	£'000	Change %
Gross profit	4,923	4,597	326	7.1
Other operating charges	3,825	3,579	(246)	(6.9)
Dividends received	-	-	-	-
Profit before tax	1,105	1,398	(293)	(21.0)

Strategy

The strategy of the company remains to develop the business in existing and new markets with new products and services complementing the existing range

PERFORMANCE SAILCRAFT EUROPE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

Gross profit

The gross profit percentage has reduced in 2006. This is predominantly the result of sales outside of the UK and Europe of £1,024k now being managed by a Hong Kong based distributor. This has resulted in those sales, which will not be occurring in future years, being transacted at cost.

Operating costs

Other operating income and charges have increased by £246k (6.9%). The majority of this increase relates to additional advertising and marketing costs relating to developing the business in Europe and new product launches.

Research and development

The company has doubled its research and development costs in 2006 and remains committed to the development of new products, materials and processes to further enhance its product range.

Capital expenditure

Capital expenditure of £154k has been incurred during the year, largely relating to the tooling costs of our new boat "The Vago".

Summary of key performance indicators

The company monitors sales, stock, debtors, creditors and cash on a weekly basis and compares to annual budgets and revised forecasts as appropriate.

Future outlook

The directors are confident that 2007 will be another year of growth. A further new boat will be launched during the second quarter of 2007 and further enhancements to the existing range will stimulate demand. The directors are especially encouraged with the potential growth prospects for the SB3. This boat has attracted considerable attention in both UK and Europe and a significant increase in demand is anticipated.

Principal risk and uncertainties

The management of the business and the nature of the company's strategy are subject to a number of risks.

The directors have set out below the principal risks facing the business.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

PERFORMANCE SAILCRAFT EUROPE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

High proportion of fixed costs and variable revenues

The company will continue to review the overhead base required to further develop the business. There is a formal expenditure review process which takes account of sales and margin forecasts and matches overhead expenditure accordingly.

Competition

The company faces competition in all of its product areas and markets. These range from large established and reputable brands to smaller, local manufacturers. We benefit from being one of the leading brands in our sector but we must ensure that we do not become complacent and continue to support the products and services demanded by our customers.

Product obsolescence

Many of our products are well established and, given the significant costs of developing new products and tooling, there tends to be limited obsolescence risk in our key product areas. Stocks of spare parts and accessories relating to boats no longer sold are regularly reviewed and appropriate provisions are maintained.

Fluctuation in exchange rates

Most of our purchases are sterling denominated. Approximately 30% of our turnover is transacted in Euros. The company regularly reviews its exposure to foreign currency transactions and where appropriate covers this exposure with the use of forward currency contracts.

Financial risk management objectives and policies

The company uses various financial instruments including loans, cash, and various items such as trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible, the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated to forecast transactions, are hedged as appropriate, principally using forward currency contracts.

At the end of 2006 there were no forward currency contracts in place.

PERFORMANCE SAILCRAFT EUROPE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

The company arranges its borrowings to meet expected operational liquidity requirements. This is achieved through a mixture of long and short term borrowings. Short-term flexibility is achieved by overdraft facilities

Interest rate risk

The company finances its operations through a mixture of retained profits, bank and other borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities

The interest rate exposure of the company as at 31 December 2006 is shown in the table below

	Fixed £'000	Interest rate Floating £'000	Zero £'000	Total £'000
Financial assets				
Trade debtors	-	-	1,395	1,395
Financial liabilities				
Overdrafts	-	245	-	245
Group creditors	-	-	1,038	1,038
Trade creditors	-	-	849	849

Credit risk

The company's principal financial asset is trade debtors. The principal credit risk therefore arises from the company's trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history

Directors

The present membership of the Board is set out below

D Graham
R Clucas

No director had an interest in the shares of the company

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

Qualifying third party indemnity provision

During the financial year, a qualifying third party indemnity provision for the benefit of the directors was in force

PERFORMANCE SAILCRAFT EUROPE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and 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 and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



M Abrahams
Company Secretary

18 September 2007

REPORT OF THE INDEPENDENT AUDITOR TO
PERFORMANCE SAILCRAFT EUROPE LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 7 to 20 together with the full financial statements of Performance Sailcraft Europe Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 2006

This report is made solely to the company in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a special auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

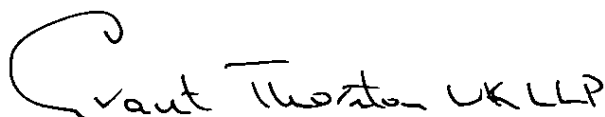
The directors are responsible for preparing the abbreviated accounts in accordance with the provisions of section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act and whether the abbreviated accounts have been properly prepared in accordance with that provision and report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3, "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts, and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion, the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 7 to 20 have been properly prepared in accordance with that provision.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Northampton

19 September 2007

PERFORMANCE SAILCRAFT EUROPE LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice)

The company's accounting policies are unchanged compared with the prior year

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The periods generally applicable are

Plant, machinery, tools, fixtures and fittings	3 - 7 years
Moulds	3 - 10 years
Office equipment	3 - 5 years
Motor vehicles and boats	3 - 5 years

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profits in the period in which it is incurred. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.

STOCKS

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

CURRENT TAX

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

FOREIGN CURRENCIES

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 rates of exchange ruling at the balance sheet date.

Foreign exchange gains and losses are credited or charged to the profit and loss account as they arise.

PERFORMANCE SAILCRAFT EUROPE LIMITED

PRINCIPAL ACCOUNTING POLICIES

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.

THE COMPANY AS LESSEE

Finance lease and hire purchase agreements

Where the company enters into a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset at the present value of the minimum lease payments and is depreciated over the shorter of the lease term and the asset's useful economic life. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element, which reduces the outstanding obligation.

Hire purchase contracts which are of a financing nature are accounted for on a basis similar to finance leases. Other hire purchase contracts are accounted for on a basis similar to operating leases.

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions (other than provisions for post retirement benefits and deferred taxation) are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

A contingent liability arises where the company has a possible obligation as a result of past events, or where the company has a present obligation as a result of past events, but where the transfer of economic benefit to settle the obligation is not probable, or the amount of the liability cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes to the financial statements.

PERFORMANCE SAILCRAFT EUROPE LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Note	2006 £	2005 £
Gross profit		4,922,651	4,596,784
Other operating income and charges	2	<u>(3,824,566)</u>	<u>(3,579,347)</u>
Operating profit		1,098,085	1,017,437
Exceptional items			
Profit on sale of intangible fixed assets		-	391,378
Net interest	3	<u>6,926</u>	<u>(11,149)</u>
Profit on ordinary activities before taxation	1	1,105,011	1,397,666
Tax on profit on ordinary activities	5	350,840	325,943
Transfer to reserves	16	<u>754,171</u>	<u>1,071,723</u>

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

All operations are continuing

The accompanying accounting policies and notes form an integral part of these abbreviated accounts

PERFORMANCE SAILCRAFT EUROPE LIMITED

ABBREVIATED BALANCE SHEET AT 31 DECEMBER 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	7	<u>424,705</u>	<u>418,708</u>
		424,705	418,708
Current assets			
Stocks	8	1,243,843	1,359,359
Debtors	9	1,827,736	1,250,059
Cash at bank and in hand		<u>139,337</u>	<u>433,268</u>
		3,210,916	3,042,686
Creditors: amounts falling due within one year	10	<u>(2,966,493)</u>	<u>(2,566,572)</u>
Net current assets		<u>244,423</u>	<u>476,114</u>
Total assets less current liabilities		669,128	894,822
Creditors: amounts falling due after more than one year	11	(856,018)	(850,000)
Provisions for liabilities and charges	12	(178,059)	(163,942)
		<u>(364,949)</u>	<u>(119,120)</u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account	15	(414,949)	(169,120)
Shareholders' funds	16	<u>(364,949)</u>	<u>(119,120)</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies

The financial statements were approved by the Board of Directors on

18 September 2007



R Clucas
Director

The accompanying accounting policies and notes form an integral part of these abbreviated accounts

PERFORMANCE SAILCRAFT EUROPE LIMITED**CASH FLOW STATEMENT**

For the year ended 31 December 2006

	Note	2006 £	2005 £
Net cash inflow from operating activities	17	916,338	865,525
Returns on investments and servicing of finance			
Interest received/(paid)		7,312	(10,828)
Finance lease interest paid		(386)	(321)
Net cash inflow/(outflow) from returns on investments and servicing of finance		6,926	(11,149)
Taxation		(325,943)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(130,062)	(188,792)
Sale of tangible fixed assets		-	681
Sale of intangible fixed assets		-	784,000
Net cash (outflow)/inflow from capital expenditure and financial investment		(130,062)	595,889
Equity dividends paid		(1,000,000)	(1,200,000)
Financing			
Capital elements of finance lease rentals		(6,018)	(2,250)
Net cash outflow from financing		(6,018)	(2,250)
(Decrease)/increase in cash	18, 19	(538,759)	248,015

The accompanying accounting policies and notes form an integral part of these abbreviated accounts

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

1 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

In arriving at the profit on ordinary activities the following items have been charged to the profit and loss account

	2006 £	2005 £
Auditors' remuneration		
Audit services	20,183	24,883
Non-audit services	10,375	7,500
Depreciation		
Tangible fixed assets, owned	145,069	121,981
Tangible fixed assets, held under finance leases and hire purchase contracts	3,069	4,779
Other operating leases		
Land and buildings	200,000	200,000
Other operating leases	17,065	23,944
Foreign exchange (gains)/losses	(20,358)	(77,300)

2 OTHER OPERATING INCOME AND CHARGES

	2006 £	2005 £
Other operating income and charges		
Distribution costs	457,337	468,582
Administrative expenses	3,367,229	3,110,765
	<u>3,824,566</u>	<u>3,579,347</u>

3 NET INTEREST

	2006 £	2005 £
On bank loans and overdrafts	7,312	(10,828)
Finance charges in respect of finance leases	(386)	(321)
	<u>6,926</u>	<u>(11,149)</u>

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

4 DIRECTORS AND EMPLOYEES

	2006 £	2005 £
Wages and salaries	834,646	870,767
Social security costs	88,915	83,599
Other pension costs	19,730	13,423
	<u>943,291</u>	<u>967,789</u>

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

	2006	2005
By category		
Distribution and selling	9	16
Office and management	17	8
Instructors and coaches	10	-
	<u>36</u>	<u>24</u>

Remuneration in respect of directors was as follows

	2006 £	2005 £
Emoluments	92,231	99,728
Pension contributions to money purchase pension schemes	6,767	3,875
	<u>98,998</u>	<u>103,603</u>

During the year 1 director (2005 1 director) participated in money purchase pension schemes

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents

	2006 £	2005 £
Corporation tax @ 30% (2005 30%)	359,695	325,943
Adjustment in respect of prior year	(8,855)	-
	<u>350,840</u>	<u>325,943</u>

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2005 30%)
The differences are explained as follows

	2006 £	2005 £
Profit on ordinary activities before tax	1,105,011	1,397,666
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	331,503	419,300
Effect of		
Expenses not deductible for tax purposes	45,477	(74,069)
Differences between capital allowances and depreciation	(7,714)	(20,593)
Other timing differences	2,579	1,305
Group relief claimed	(4,171)	-
Adjustment to prior year	(8,855)	-
Credit not subject to tax	(7,979)	-
Current tax charge for the year	<u>350,840</u>	<u>325,943</u>

6 DIVIDENDS

Dividends on shares classed as equity

	2006 £	2005 £
Paid during the year	<u>1,000,000</u>	<u>1,200,000</u>

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

7 TANGIBLE FIXED ASSETS

	Sailing school equipment £	Motor vehicles and boats £	Other plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 January 2006	-	135,018	291,720	2,650,615	3,077,353
Additions	45,758	-	3,616	104,761	154,135
Disposals	-	-	-	-	-
At 31 December 2006	<u>45,758</u>	<u>135,018</u>	<u>295,336</u>	<u>2,755,376</u>	<u>3,231,488</u>
Depreciation					
At 1 January 2006	-	101,976	261,173	2,295,496	2,658,645
Provided in the year	7,251	8,461	15,488	116,938	148,138
Eliminated on disposals	-	-	-	-	-
At 31 December 2006	<u>7,251</u>	<u>110,437</u>	<u>276,661</u>	<u>2,412,434</u>	<u>2,806,783</u>
Net book amount at 31 December 2006	<u>35,507</u>	<u>24,581</u>	<u>18,675</u>	<u>342,942</u>	<u>424,705</u>
Net book amount at 31 December 2005	<u>-</u>	<u>33,042</u>	<u>30,547</u>	<u>355,119</u>	<u>418,708</u>

The net book value of fixed assets includes an amount of £20,459 (2005 £Nil) in respect of sailing school equipment held under finance leases. Depreciation provided on these assets in 2006 was £3,069 (2005 £Nil).

8 STOCKS

	2006 £	2005 £
Finished goods and goods for resale	<u>1,243,843</u>	<u>1,359,359</u>

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

9 DEBTORS

	2006 £	2005 £
Trade debtors	1,395,187	904,112
Amounts owed by group undertakings	11,349	-
Amounts owed by associated undertakings	15,946	-
Other debtors	82,149	141,951
Prepayments and accrued income	323,105	203,996
	<u>1,827,736</u>	<u>1,250,059</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	849,546	756,402
Amounts owed to group undertakings	1,037,850	1,031,695
Overdraft	244,828	-
Corporation tax and group relief	350,840	325,943
Other tax and social security	24,493	27,014
Accruals and deferred income	365,539	424,219
Other creditors	81,360	1,299
Finance leases	12,037	-
	<u>2,966,493</u>	<u>2,566,572</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company. The finance lease liabilities are secured on the assets to which they relate.

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Loan from Gavel Securities Limited	850,000	850,000
Finance leases	6,018	-
	<u>856,018</u>	<u>850,000</u>

The loan from Gavel Securities Limited is unsecured and interest free with no fixed repayment terms. The finance lease liabilities are secured on the assets to which they relate.

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Total £	Warranty £	Restructuring and dilapidation costs £
At 1 January 2006	163,942	55,747	108,195
Provided during the year	69,864	69,864	-
Utilised during the year	(55,747)	(55,747)	-
At 31 December 2006	<u>178,059</u>	<u>69,864</u>	<u>108,195</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

Dilapidations are provided for as part of the company's leasehold agreement

13 DEFERRED TAXATION

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

14 SHARE CAPITAL

	2006 £	2005 £
Authorised, allotted, called up and fully paid 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

15 PROFIT AND LOSS ACCOUNT

	2006 £
At 1 January 2006	(169,120)
Retained profit for the year	754,171
Equity dividends paid	(1,000,000)
At 31 December 2006	<u>(414,949)</u>

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for financial year	754,171	1,071,723
Equity dividends paid	(1,000,000)	(1,200,000)
Net reduction in shareholders' funds	(245,829)	(128,277)
Opening shareholders' funds	(119,120)	9,157
Closing shareholders' funds	(364,949)	(119,120)

17 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	1,098,085	1,017,437
Depreciation	148,138	126,760
Decrease/(increase) in stock	115,516	(451,408)
(Increase)/decrease in debtors	(577,677)	31,941
Increase/(decrease) in creditors	118,159	156,433
Increase/(decrease) in provisions	14,117	(15,638)
	916,338	865,525

18 RECONCILIATION OF NET CASH FLOW MOVEMENT TO NET DEBT

	2006 £	2005 £
(Decrease)/increase in cash in the year	(538,759)	248,015
Cash outflow from finance leases	6,018	2,250
Change in net debt resulting from cash flows	(532,741)	250,265
Inception of finance leases	(24,073)	-
Net debt at 1 January 2006	(416,732)	(666,997)
Net debt at 31 December 2006	(973,546)	(416,732)

PERFORMANCE SAILCRAFT EUROPE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

19 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2006 £	Cash flow £	Non cash items £	At 31 December 2006 £
Cash at bank and in hand	433,268	(293,931)	-	139,337
Overdrafts	-	(244,828)	-	(244,828)
Loans	(850,000)	-	-	(850,000)
Finance leases	-	6,018	(24,073)	(18,055)
	<u>(416,732)</u>	<u>(532,741)</u>	<u>(24,073)</u>	<u>(973,546)</u>

20 CAPITAL COMMITMENTS

At 31 December 2006 the company was committed to capital expenditure of £113,728 (2005 £Nil)

21 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 2006 this amounted to £18,623 (2005 £Nil)

22 LEASING COMMITMENTS

Operating lease payments amounting to £244,546 (2005 £222,053) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings £	2006 Other £	Land and buildings £	2005 Other £
Within one year	-	5,152	-	1,257
Between one and five years	23,750	15,644	-	20,796
More than five years	200,000	-	200,000	-
	<u>223,750</u>	<u>20,796</u>	<u>200,000</u>	<u>22,053</u>

23 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 £19,730 (2005 £13,423)

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 ABBREVIATED ACCOUNTS

For the year ended 31 December 2006

24 RELATED PARTY TRANSACTIONS

During the year the company paid Sina Holdco Limited group companies management fees and other purchases of £1,382,686 (2005 £1,009,934) for administration services provided. The company made sales to Sina Holdco group companies of £22,644 (2005 £Nil). Sina Holdco Limited is a related party due to common control by Spring Meadow Holdings Limited. At the year end Sina Holdco Limited group companies were owed £40,402 (2005 £Nil) by the company and owed £9,725 (2005 £Nil) to the company.

During 2005 the company paid management charges to Ronson International Limited, a related party by common director, Ronald Clucas, of £221. No other transactions took place in the current year. No amounts were outstanding at either this or the prior year end.

During the year the company made sales of £15,946 (2005 £1,430) to Maclaren Europe Limited, a related party due to common control by Spring Meadow Holdings Limited. During the year the company made purchases of £937 (2005 £1,138) from Maclaren Europe Limited. At the year end Maclaren Europe Limited owed the company £15,656 (2005 £Nil).

During the year the company made sales of £908 (2005 £43,570) to Laser Sailboats Limited, a subsidiary undertaking of Gavel Securities Limited. The company made purchases of £1,613,866 (2005 £1,693,424) from Laser Sailboats Limited. At 31 December 2006 the company owed £650,049 (2005 £617,611) to Laser Sailboats Limited.

At 31 December 2006 the company owed £345,858 (2005 £345,715) to Gavel Securities Limited, the parent undertaking.

25 ULTIMATE PARENT UNDERTAKING

The directors consider that Gavel Securities Limited is the intermediate holding company and the controlling related party by virtue of its shareholding is Sina Holdco Limited. The ultimate parent undertaking is Spring Meadow Holdings Limited, a company registered in the British Virgin Islands.