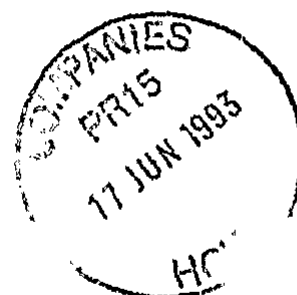


PERFORMANCE SAILCRAFT EUROPE LIMITED
Registered number 922893

31 December 1992



DIRECTOR'S REPORT

The directors submit their report and audited accounts for the year ended 31 December 1992.

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.

TRADING RESULTS

The trading loss for the year ended 31 December 1992 was £33,926 on a turnover of £7,058,122.

The transfer from reserves was £91,158 after paying an interim dividend of £50,000.

FIXED ASSETS

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

DIRECTORS

The directors of the company as at 31 December 1992 were as follows -

AV Hancock - Chairman
P Bulman
TW Coventry
CAR Gillams
CF Nichols
HC Reader
RC Simmonds
R Young

The following directors resigned during the year -

PACH Phipps on 22 April 1992
RS Upsdell on 20 May 1992

The following directors were appointed during the year.

AV Hancock on 22 April 1992
CAR Gillams on 22 April 1992
R Young on 17 June 1992

AV Hancock and CAR Gillams were re-elected at the Annual General Meeting held on 17th. June, 1992.

DIRECTORS (continued)

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.

TAXATION STATUS

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

AUDITORS

At the Annual General Meeting held on 17 June 1992 Price Waterhouse resigned as auditors to the company and Coopers & Lybrand were appointed.

By Order of the Board


W.F. Dyer
Secretary

11th March 1993

COOPERS & LYBRAND

Oriel House
55 Sheep Street
Northampton, NN1 2NF

AUDITORS' REPORT TO THE MEMBERS OF
PERFORMANCE SAILCRAFT EUROPE LIMITED

We have audited the financial statements on pages 4 to 13 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 1992 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand.
COOPERS & LYBRAND

Northampton

Chartered Accountants
and Registered Auditors

W. H. Marsh 1993

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1992

	Notes	1992	1991
TURNOVER	2	7,058,122	7,706,337
Cost of sales		4,881,670	5,688,601
GROSS PROFIT		2,176,652	2,217,936
Administrative expenses		2,031,684	2,330,505
Operating profit/(loss) on continuing operations		144,968	(112,569)
Exceptional items	23	172,118	33,143
Interest payable and similar charges	3	6,776	17,217
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(33,926)	(162,929)
Tax on (loss) on ordinary activities	7	7,232	(31,591)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(41,158)	(131,338)
Extraordinary charge	22	-	15,844
LOSS FOR THE FINANCIAL YEAR		(41,158)	(147,182)
Interim Dividend	21	50,000	173,000
MOVEMENT IN RESERVES	15	£ (91,158)	£ (320,182)
		=====	=====

BALANCE SHEET - 31 DECEMBER 1992

	Notes	1992	1991
FIXED ASSETS			
Intangible assets	8	392,622	376,865
Tangible assets	9	272,621	367,094
		-----	-----
		665,243	743,959
CURRENT ASSETS			
Stocks	10	725,506	1,040,975
Debtors	11	786,389	927,873
Cash at bank and in hand		973	5,441
		-----	-----
		1,512,868	1,974,189
CREDITORS: Amounts falling due within one year	12	1,316,620	1,931,569
		-----	-----
NET CURRENT ASSETS		196,248	42,620
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES	£	861,491	£ 786,579
		=====	=====
CREDITORS: Amounts falling due after more than one year	13	873,000	706,930
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account	15	(61,509)	29,649
		-----	-----
	£	861,491	£ 786,579
		=====	=====

Approved by the Board on 11th March 1993
and signed on its behalf

DIRECTOR

P BULMAN



NOTES TO THE ACCOUNTS 31 DECEMBER 1992

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:

Leasehold buildings	10% straight line
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 1992 (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.

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:

	1992	1991
United Kingdom	3,226,721	3,715,850
Europe	3,162,144	3,428,349
Middle and Far East	331,160	314,603
Others	338,097	247,535
£	<u>7,058,122</u>	<u>£7,706,337</u>
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1992 (CONTINUED)

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

	1992	1991
Management charge payable to Gavel Securities Limited	£ 240,000	£ 250,000
Depreciation	£ 120,005	£ 195,049
Auditors' remuneration	£ 12,700	£ 21,800
Emoluments of the directors of the company (note 5)	£ 136,708	£ 176,564
Hire of plant, machinery and vehicle	£ 776	£ 6,587
Rental payments under operating leases	£ 206,286	£ 179,786
	=====	=====
Interest payable on bank borrowings repayable within five years	1,124	135
Finance charges payable under hire purchase contracts	5,911	13,236
Other interest	(259)	3,846
	£ 6,776	£ 17,217
	=====	=====

4 STAFF COSTS

Staff costs during the year were as follows:	1992	1991
Wages and salaries	1,287,352	1,477,616
Social security costs	124,594	140,385
Other pension costs	35,919	33,057
	£ 1,447,865	£ 1,651,058
	=====	=====

The average number of persons employed during the year was 86 (1991 - 118)

5 EMOLUMENTS OF DIRECTORS

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

	1992	1991
Chairman	£ -	£ -
	=====	=====
Highest paid director	£ 36,175	£ 44,520
	=====	=====
Other directors:	Number	Number
£ Nil - £5,000	4	2
£30,001 - £35,000	3	-
£35,001 - £40,000	-	-
£40,001 - £45,000	-	3
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1992 (CONTINUED)

6 COMMITMENTS UNDER OPERATING LEASES

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

	1992	1991
LAND AND BUILDINGS		
Operating leases which expire in the second to fifth years inclusive	£ 123,938	£ 123,938
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
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OTHER LEASES

Operating leases which expire in the second to fifth years inclusive	£ 13,243	£ 13,225
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Operating leases which expire after 5 years	£ 6,815	£ 2,513
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7 TAX ON LOSS ON ORDINARY ACTIVITIES

	1992	1991
Corporation tax at 33 % (1991 Nil%)	7,232	-
Under reserve in previous years	-	8,504
Adjustment for 1991 losses carried back	-	(40,095)
	<u>7,232</u>	<u>£ (31,591)</u>
	=====	=====

8 INTANGIBLE FIXED ASSETS

Trademarks comprise:	1992	1991
Original Cost		
At 1 January 1992	376,865	311,851
Additions	15,757	53,323
Transfers from Group Company	-	11,691
At 31 December 1992	<u>£ 392,622</u>	<u>£ 376,865</u>
	=====	=====

The directors believe that the value of the trademarks exceeded the above amount at the balance sheet date.

Further additions amounting to £16,699 have been written off during the year in the Profit and Loss Account.

NOTES TO THE ACCOUNTS 31 DECEMBER 1992 (CONTINUED)

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 1992	23,486	25,628	144,366	156,546	720,416	1,070,442
Additions	-	-	-	27,486	40,543	68,029
Transfers	-	-	-	-	(9,044)	(9,044)
Written off	-	-	-	-	(47,212)	(47,212)
Disposals	-	-	(4,105)	-	-	(4,105)
At 31 December 1992	23,486	25,628	140,261	184,032	704,703	1,078,110
Depreciation						
At 1 January 1992	14,008	2,696	107,622	99,872	479,150	703,348
Charge for year	758	2,563	16,044	20,911	79,729	120,005
Transfers	-	-	-	-	(5,776)	(5,776)
Written off	-	-	-	-	(8,838)	(8,838)
Disposals	-	-	(3,250)	-	-	(3,250)
At 31 December 1992	14,766	5,259	120,416	120,783	544,265	805,489
Net book value						
At 31 December 1992	8,720	20,369	19,845	63,249	160,438	272,621
At 31 December 1991	9,478	22,932	36,744	56,674	241,266	367,094

The net book value of fixed assets includes an amount of £ 15,735 (1991 - £ 27,697) in respect of assets held under hire purchase.

*STOCKS

	1992	1991
Raw materials and consumables	34,305	67,584
Work in progress	13,590	16,573
Finished goods and goods for resale	677,611	956,718
	£ 725,506	£1,040,875

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

NOTES TO THE ACCOUNTS 31 DECEMBER 1992 (CONTINUED)

11 DEBTORS	1992	1991
Trade debtors (All due within 1 year)	541,213	736,015
Amounts owed by group undertakings	105,642	85,518
ACT Recoverable after 1 year	21,902	-
Other debtors	31,627	43,880
Prepayments and accrued income	86,005	62,460
	<u>£ 786,389</u>	<u>£ 927,873</u>
	=====	=====

12 CREDITORS: Amounts falling due within one year	1992	1991
Bank overdraft & loans	157,267	232,758
Trade creditors	552,798	607,286
Accruals and deferred income	118,059	150,676
Corporation tax	3,166	1,412
Other tax and social security	32,278	55,985
Amounts owed to group undertakings	405,250	840,807
Obligations under hire purchase contracts	7,437	15,944
Other creditors	40,365	26,701
	<u>£ 1,316,620</u>	<u>£1,931,569</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	1992	1991
Loan from Gavel Securities Limited	850,000	700,000
Obligations under hire purchase contracts	-	6,930
Long term Bank loan	23,000	-
	<u>£ 873,000</u>	<u>£ 706,930</u>
	=====	=====

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

14 SHARE CAPITAL	1992	1991
Ordinary shares of £1 each:		
Authorised	<u>£ 50,000</u>	<u>£ 50,000</u>
	=====	=====
Allotted and fully paid	<u>£ 50,000</u>	<u>£ 50,000</u>
	=====	=====

NOTES TO THE ACCOUNTS 31 DECEMBER 1992 (CONTINUED)

15 PROFIT AND LOSS ACCOUNT

	1992	1991
Profit brought forward 1 January 1992	29,649	349,831
Loss for the year	(91,158)	(120,182)
Profit carried forward 31 December 1992	£ (61,509)	£ 29,649
	=====	=====

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 33% (1991 25%) is analysed as follows-

	1992	1991
Accelerated capital allowances	42,758	4,548
Other short term timing differences	7,719	6,466
Losses available for relief	11,263	7,033
£	61,740	£ 18,047

17 CAPITAL COMMITMENTS

As at 31 December 1992 there was a capital commitment of £NIL (1991 - Nil). Contracts approved by the Board of Directors but not contracted amounted to £Nil (1991 - Nil).

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.

19 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 8 PY.

NOTES TO THE ACCOUNTS 31 DECEMBER 1992 (CONTINUED)

20 PENSION SCHEMES

The company operates a defined contribution pension scheme (until 31 December 1990 operated by Dart Cacamarans 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.

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 (1991 - £23,179).

21 DIVIDENDS

	1992	1991
Interim Dividend of £1 per Ordinary Share (1991 - £3.46 per Ordinary Share)	50,000	£ 173,000
	=====	=====

22 EXTRAORDINARY CHARGE

The extraordinary charge in 1991 represents costs incurred on the closure of the Performance Challenge venture and the realised loss on the sale of the asset.

23 EXCEPTIONAL ITEM

The exceptional items are as follows -

	1992	1991
Redundancy costs	38,238	33,143
Fixed assets and Stock written off relating to discontinued products	22,032	-
Settlement on termination of Italian agency contract	20,367	-
Tangible development costs previously capitalised now written off	31,116	-
Changes in directors valuation of current assets	60,365	-
	£ 172,118	£ 33,143
	=====	=====