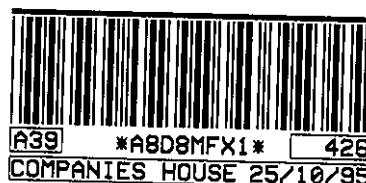


Pendennis Shipyard Limited

Directors' report and financial statements

31 December 1994

Registered number 2281468



Pendennis Shipyard Limited

Directors' report and financial statements

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Pendennis Shipyard Limited

Directors' report

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 1994.

Principal activity and business review

The principal activities of the company are the design and manufacture of luxury yachts and fitting out of medium sized yachts. On 26 October 1994 a fire seriously damaged the company's premises and the yachts being worked on at the time. The company was adequately insured and has been able to agree revised contract dates for completion of projects. The insurance proceeds relating to the fixed assets destroyed in the fire have been included in these financial statements and form part of the exceptional item.

Results and dividends

The company made a profit for the financial year after tax of £852,447. The directors recommend that no dividend be paid.

Directors and their interests

The directors who served during the year and their interests in the ordinary and deferred share capital of the company were as follows:

	31 December 1994 and 1993	
	Ordinary	Deferred
Mr M Carr	30,000	783,359
Mr H Wiekens	30,000	783,359
Mr D Bentley	20,000	522,240
Mr P Wood	20,000	522,239
Mr M Jordan	-	-
Mr T Vernon	-	-

Fixed assets

Information relating to changes in tangible fixed assets is given in note 9 to the financial statements.

Auditors

On 31 December 1994 the Truro office of KPMG Peat Marwick was acquired by the resident partners, who established the new firm of Robinson Reed Layton. In consequence, KPMG Peat Marwick resigned as auditors of the company with effect from that date and Robinson Reed Layton were appointed in their place.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Robinson Reed Layton as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

M Carr

Secretary

The Docks
FALMOUTH
Cornwall

20 October 1995

Pendennis Shipyard 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 and of the profit or loss 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Pendennis Shipyard Limited

Auditors' report to the members of Pendennis Shipyard Limited

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

As described on page 2 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.

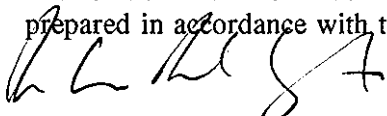
Basis of opinion

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.



Robinson Reed Layton
Chartered Accountants
Registered Auditors

20 October 1995

Peat House
Newham Road
TRURO
TR1 2DP

Pendennis Shipyard Limited

Profit and loss account for the year ended 31 December 1994

	Note	1994 £	1993 £
Turnover	2	5,636,597	3,649,411
Cost of sales		<u>(4,465,357)</u>	<u>(3,041,373)</u>
Gross profit		1,171,240	608,038
Administrative expenses		(1,000,426)	(731,163)
Other operating income	15	<u>120,000</u>	<u>70,000</u>
Operating profit/(loss)	3	290,814	(53,125)
Profit on disposal of fixed assets	3	669,404	-
Amounts provided against investments	3	<u>(110,000)</u>	<u>-</u>
Profit/(loss) on ordinary activities before interest		850,218	(53,125)
Interest receivable and similar income		5,938	8,836
Interest payable and similar charges	4	<u>(1,500)</u>	<u>(17,963)</u>
Profit/(loss) on ordinary activities before taxation	5	854,656	(62,252)
Taxation	8	<u>(2,209)</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation being the profit/(loss) for the financial year		852,447	(62,252)
Accumulated deficit brought forward		<u>(2,688,442)</u>	<u>(2,626,190)</u>
Accumulated deficit carried forward		<u>(1,835,995)</u>	<u>(2,688,442)</u>

There were no acquisitions or discontinued operations within the company during 1994 and 1993.

The company has no recognised gains or losses in either 1994 or 1993 other than the profit/(loss) for these years.

Pendennis Shipyard Limited

Balance sheet at 31 December 1994

	Note	1994 £	1993 £
Fixed assets			
Tangible assets	9	894,780	825,794
Investments	10	-	-
Current assets			
Stocks	11	69,410	91,415
Debtors	12	1,759,867	293,217
Cash at bank and in hand		183,612	273,775
		<u>2,012,889</u>	<u>658,407</u>
Creditors: amounts falling due within one year	13	<u>(1,910,550)</u>	<u>(1,251,446)</u>
Net current assets/(liabilities)		<u>102,339</u>	<u>(593,039)</u>
Total assets less current liabilities		<u>997,119</u>	<u>232,755</u>
Creditors: amounts falling due after more than one year	14	(31,917)	-
Accruals and deferred income	15	<u>(90,000)</u>	<u>(210,000)</u>
Net assets		<u>875,202</u>	<u>22,755</u>
Capital and reserves			
Called up share capital	16	2,711,197	2,711,197
Profit and loss account		<u>(1,835,995)</u>	<u>(2,688,442)</u>
Shareholders' funds	17,18	<u>875,202</u>	<u>22,755</u>

These financial statements were approved by the board of directors on
and were signed on its behalf by:

20 OCTOBER 1995


Peter J Wood

Director

Pendennis Shipyard Limited

Cash flow statement

for the year ended 31 December 1994

	Note	£	1994 £	£	1993 £
Net cash outflow from operating activities	23		(619,806)		(1,695,560)
Return on investments and servicing of finance					
Interest received		5,938		8,836	
Interest paid		(1,335)		(17,963)	
Net cash inflow/(outflow) from returns on investment and servicing of finance			4,603		(9,127)
Taxation					
UK corporation tax paid		2,209		-	
Tax paid			(2,209)		-
Investing activities					
Purchase of fixed assets		(551,157)		(586,903)	
Sale of tangible fixed assets		999,177		2,000	
Net cash inflow/(outflow) from investing activities			448,020		(584,903)
Net cash outflow before financing			(169,392)		(2,289,590)
Financing					
Issue of ordinary share capital	25	-		2,611,197	
Issue of deferred share capital	25	-		99,900	
Capital element of payments made under lease purchase agreements	25	(7,108)		-	
Net cash (outflow)/inflow from financing			(7,108)		2,711,097
(Decrease)/increase in cash and cash equivalents	24		(176,500)		421,507

Pendennis Shipyard Limited

Notes

(forming part of the financial statements)

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Tangible fixed assets

All fixed assets are shown at cost. Depreciation is provided at rates calculated to write-off the cost of each asset less estimated residual value on a straight-line basis over its expected useful life as follows:

Short term leasehold improvements	20%
Long term leasehold property	2%
Plant and equipment	10 - 25%
Fixtures and fittings	10 - 33%

No depreciation is charged on leasehold land. The period of lease is 996 years from 21 May 1993.

Assets in the course of construction represents the capital cost of separately identifiable assets which are incomplete at the year end. On completion the costs incurred will be analysed into the appropriate class of asset and depreciation charged accordingly.

Stocks

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

Turnover and long term contracts

Turnover represents in the case of long-term contracts the proportion of contract value applicable to the activity in the year, ascertained by reference to the state of completion of each contract. The related costs are matched with this turnover, resulting in the reporting of attributable profit proportionate to the contract activity. Where the outcome of a contract cannot be foreseen with reasonable certainty but no loss is expected, turnover and costs are recorded as activity progresses using a zero estimate of profit.

Estimate of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified. All known or anticipated losses are provided for in full as soon as they are foreseen.

Net costs incurred in excess of amounts transferred to cost of sales are classified as long-term contract balances. Revenue recognised in excess of amounts billed are classified as amounts recoverable on contracts and included in debtors. Amounts billed in excess of revenues recognised to date are deducted from related long term contract balances with any residual balance being classified as long term contract payments on account and included in creditors. Long-term contract balances are stated at contract cost incurred less amounts transferred to cost of sales, foreseeable losses, and payments on account.

Pendennis Shipyard Limited

Notes (continued)

1 Principal accounting policies (continued)

Pensions

Contributions to the company's pension scheme providing benefit based on final pensionable pay are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. For the company's defined contribution scheme, contributions are charged to the profit and loss account as they become payable.

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over a period of three years.

Leases

Where an asset is acquired under a lease which entails taking substantially all the risks and rewards of ownership it is recorded in the balance sheet as a tangible asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction, unless settlement has been covered by a forward exchange contract, in which case, the contract rate is used. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

2 Analysis of turnover

Analysis of turnover by geographical area is as follows:

	1994 £	1993 £
United Kingdom	496,579	282,532
Rest of World	5,140,018	3,366,879
	<hr/> 5,636,597	<hr/> 3,649,411

All turnover is derived from the company's principal activities.

Pendennis Shipyard Limited

Notes (continued)

3 Exceptional items

On 26 October 1994 a fire severely damaged the company's premises and the yachts being worked on at the time. As a result the following exceptional amounts are included in the profit and loss account.

		£
Charge to operating profit	- cost of sales	(58,650)
	- administrative expenses	(30,000)
		<hr/>
		(88,650)
Profit on disposal of fixed assets		594,404
Amounts provided against investments		(110,000)
		<hr/>
The company also sold land and buildings during the year and made a profit on the disposal		75,000
		<hr/>

4 Interest payable and similar charges

	1994 £	1993 £
On bank overdrafts	720	17,963
On lease purchase agreements	780	-
	<hr/>	<hr/>
	1,500	17,963
	<hr/>	<hr/>

5 Profit/(loss) on ordinary activities before taxation

	1994 £	1993 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Directors' emoluments (see note 6)		
Remuneration as executives	155,009	119,909
Pension contributions	10,420	5,991
Depreciation	89,077	90,137
Loss on disposal of fixed assets	4,315	-
Hire of plant and machinery	21,281	9,047
Auditors' remuneration	6,100	6,600
	<hr/>	<hr/>

Pendennis Shipyard Limited

Notes (continued)

6 Directors' remuneration

Directors received emoluments (excluding pension contributions) in the following ranges:

	1994 Nos	1993 Nos
£0 - £5,000	2	2
£20,001 - £25,000	-	2
£35,001 - £40,000	4	1
£40,001 - £45,000	-	1

The directors' emoluments shown above included:

	1994 £	1993 £
Chairman	5,000	1,250
Highest paid director	38,217	40,391

7 Staff numbers and costs

The average number of persons (including directors) employed by the company was as follows:

	1994	1993
Production	96	63
Administration	21	11
	<u>117</u>	<u>74</u>

The aggregate payroll costs of these persons were as follows:

	1994 £	1993 £
Wages and salaries	1,576,056	1,031,334
Social security	147,618	103,641
Other pension costs	16,662	16,159
	<u>1,740,336</u>	<u>1,151,134</u>

Pendennis Shipyard Limited

Notes (continued)

8 Taxation

	1994 £	1993 £
Charge for year	2,209	-

The company has tax losses of approximately £1,268,000 to carry forward and offset against profits from the same trade.

9 Tangible fixed assets

	Assets in the course of construction £	Short term leasehold improvements £	Long term leasehold property £	Plant and equipment £	Fixtures and fittings £	Total £
<i>Cost</i>						
At 1 January 1994	129,997	-	551,827	371,103	229,325	1,282,252
Additions	201,843	20,755	64,675	178,415	26,463	492,151
Disposals	-	-	(284,364)	(234,870)	(103,804)	(623,038)
Transfer	(152,440)	-	177,775	(48,382)	23,047	-
At 31 December 1994	179,400	20,755	509,913	266,266	175,031	1,151,365
<i>Depreciation</i>						
At 1 January 1994	-	-	87,519	203,993	164,946	456,458
Charge for year	-	2,244	9,026	15,045	62,762	89,077
Disposals	-	-	(68,609)	(127,356)	(92,985)	(288,950)
Transfer	-	-	13,894	(19,779)	5,885	-
At 31 December 1994	-	2,244	41,830	71,903	140,608	256,585
<i>Net book value</i>						
At 31 December 1994	179,400	18,511	468,083	194,363	34,423	894,780
At 31 December 1993	129,997	-	464,308	167,110	64,379	825,794

Pendennis Shipyard Limited

Notes (continued)

9 Tangible fixed assets (continued)

The net book value of plant and equipment includes £43,744 (1993: Nil) in respect of assets held under lease purchase agreements. Depreciation for the year on these assets was £5,087 (1993: Nil).

10 Fixed asset investments

	Related company shares £	Loans £	Total £
<i>Cost</i>			
Additions	83,333	26,667	110,000
At end of year	83,333	26,667	110,000
<i>Provisions</i>			
Provided in year	83,333	26,667	110,000
At end of year	83,333	26,667	110,000
<i>Net book value</i>			
At 31 December 1994	-	-	-

The shares represent 25% of the ordinary share capital of Magrathea (Pendennis) Limited, a company registered in England and Wales, incorporated in the United Kingdom. The company was established to manufacture composite yachts and components.

11 Stocks

	1994 £	1993 £
Raw materials	19,410	31,415
Finished goods	50,000	60,000
	69,410	91,415

Pendennis Shipyard Limited

Notes (continued)

12 Debtors

	1994 £	1993 £
Amounts falling due within one year		
Trade debtors	212,485	238,819
Amounts recoverable on long term contracts	357,488	11,027
VAT recoverable	120,715	11,519
Other debtors	873,972	200
Prepayments and accrued income	40,855	31,652
	<hr/>	<hr/>
	1,605,515	293,217
Amounts falling due after more than one year		
Amounts recoverable on long term contracts	154,352	-
	<hr/>	<hr/>
	1,759,867	293,217
	<hr/>	<hr/>

13 Creditors: amounts falling due within one year

	1994 £	1993 £
Bank overdraft	86,337	-
Obligations under lease purchase agreements (see note 14)	11,969	-
Long term contracts payments on account	758,253	930,931
Trade creditors	816,415	221,557
Other creditors		
Social security and PAYE	55,547	33,121
Other	43,512	-
Accruals and deferred income	138,517	65,837
	<hr/>	<hr/>
	1,910,550	1,251,446
	<hr/>	<hr/>

The bank overdraft was secured by a charge over all assets of the company.

14 Creditors: amounts falling due after more than one year

	1994 £	1993 £
Obligations under lease purchase agreements (payable in second to fifth years inclusive)	31,917	-
	<hr/>	<hr/>

Obligations under lease purchase agreements are secured on the assets to which they relate..

Pendennis Shipyard Limited

Notes (continued)

15 Accruals and deferred income

	1994 £	1993 £
<i>Regional selective assistance</i>		
Balance at 1 January 1994	210,000	-
Received in year	-	280,000
Released to profit and loss account	(120,000)	(70,000)
	<hr/>	<hr/>
Balance at 31 December 1994	90,000	210,000
	<hr/>	<hr/>

16 Called up share capital

	1994 £	1993 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100,000	100,000
2,611,197 deferred shares of £1 each	2,611,197	2,611,197
	<hr/>	<hr/>
	2,711,197	2,711,197
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	100,000	100,000
2,611,197 deferred shares of £1 each	2,611,197	2,611,197
	<hr/>	<hr/>
	2,711,197	2,711,197
	<hr/>	<hr/>

17 Reconciliation of movements on shareholders' funds

	1994 £	1993 £
Profit/(loss) for financial year	852,447	(62,252)
New share capital subscriptions:		
Ordinary	-	99,900
Deferred	-	2,611,197
	<hr/>	<hr/>
Net addition to shareholders' funds	852,447	2,648,845
Opening shareholders' funds	22,755	(2,626,090)
	<hr/>	<hr/>
Closing shareholders' funds	875,202	22,755
	<hr/>	<hr/>

Pendennis Shipyard Limited

Notes (continued)

18 Analysis of shareholders' funds

	1994 £	1993 £
Equity interest	(1,735,995)	(2,588,442)
Non-equity interests	2,611,197	2,611,197
	<hr/> 875,202	<hr/> 22,755

Holders of deferred shares have no voting rights or rights to dividends. They rank immediately after ordinary shareholders in the event of a winding up.

19 Pension schemes

The company operates two pension schemes.

- (i) The company is an Independent Participating Employer with its own section of The Shipbuilding Industries Pension Scheme ('SIPS'), which is administered by trustees and is separate from the company finances, providing benefits based on final pensionable pay. Contributions to SIPS are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most significant effect on the results of the valuation are those relating to the rate of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

The most recent actuarial valuation of this section carried out at 1 April 1992 showed the market value of the assets was £36,714 and that the actual value of those assets represented 115% of the benefits that had accrued to all members of this section. The contributions for the section as a whole have been set at 13.1% of pensionable pay in order to amortise the excess of the market value of the section's assets over the benefits accrued to all members, over the remaining service lives of employees.

The pension charge for the company for the period to 31 December 1994 was £8,620 (1993 : £11,651).

Contributions amounting to £813 (1993 : £782) were payable to the fund and are included in creditors.

- (ii) The company also operates a defined contribution pension scheme. The pension charge for the company for the period to 31 December 1994 was £8,042 (1993 : £4,508).

Contributions amounting to £12,550 (1993 : £4,508) were payable to the fund and are included in creditors.

Pendennis Shipyard Limited

Notes (continued)

20 Contingent liability

The company received Regional Selective Assistance amounting to £280,000 in 1993. These grants are repayable in certain circumstances. In accordance with the company's policy for accounting for such grants £90,000 is included in accruals and deferred income (note 15).

21 Capital commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	1994	1993
	£	£
<i>Authorised but not contracted</i>	1,200,000	92,000
	<hr/>	<hr/>

- (ii) The company has annual commitments under non-cancellable operating leases for plant and machinery expiring as follows:

	1994	1993
	£	£
<i>After five years</i>	1,399	-
	<hr/>	<hr/>

22 Related party disclosures

Certain directors of this company were also directors of Magrathea (Pendennis) Limited during the year, and the following transactions were entered into:

- (i) Magrathea (Pendennis) Limited carried out work to a value of £136,000 for Pendennis Shipyard Limited and Pendennis Shipyard Limited carried out work to a value of £63,781 for Magrathea (Pendennis) Limited.
- (ii) Pendennis Shipyard Limited sold land and buildings to Magrathea (Pendennis) Limited for £100,000. Consideration was received by way of share capital of £83,333 and loan capital of £16,667.
- (iii) A further amount of £10,000 owed by Magrathea (Pendennis) Limited to Pendennis Shipyard Limited was converted into loan capital.
- (iv) The investment by way of shares and loans to Magrathea (Pendennis) Limited referred to in (ii) and (iii) above has been provided for in these financial statements.

Pendennis Shipyard Limited

Notes (continued)

23 Reconciliation of operating profit to net cash outflow from operating activities

	1994 £	1993 £
Operating profit/(loss)	290,814	(53,125)
Depreciation charge	89,077	90,137
Loss on sale of tangible fixed assets	4,315	-
Decrease in stocks	22,005	3,198
(Increase)/decrease in debtors	(1,466,650)	303,824
Increase/(decrease) in creditors	440,633	(2,039,594)
	<u> </u>	<u> </u>
Net cash outflow from operating activities	<u>(619,806)</u>	<u>(1,695,560)</u>

24 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Net £
Balance at 31 December 1992	61,607	(209,339)	(147,732)
Net cash inflow	<u>212,168</u>	<u>209,339</u>	<u>421,507</u>
Balance at 31 December 1993	273,775	-	273,775
Net cash outflow	<u>(90,163)</u>	<u>(86,337)</u>	<u>(176,500)</u>
Balance at 31 December 1994	<u>183,612</u>	<u>(86,337)</u>	<u>97,275</u>

25 Analysis of changes in financing during the year

	Share capital £	Lease purchase agreements £
Balance at 31 December 1992	100	-
Cash inflow from financing	99,900	-
Shares issued for non-cash consideration	<u>2,611,197</u>	<u>-</u>
Balance at 31 December 1993	2,711,197	-
Inception of lease purchase agreements	-	50,994
Cash outflow from financing	<u>-</u>	<u>(7,108)</u>
Balance at 31 December 1994	<u>2,711,197</u>	<u>43,886</u>