

Company Registration No. 2354253

BAINBRIDGE INTERNATIONAL LIMITED



Financial Statements
31 December 2002

BAINBRIDGE INTERNATIONAL LIMITED

Financial statements for the year ended 31 December 2002

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BAINBRIDGE INTERNATIONAL LIMITED

Company information

Directors

M Jordan
R D White

Secretary

M Jordan

Registered office

Russell Square House
10-12 Russell Square
London
WC1B 5LF

Registered number

2354253

Auditors

Chantrey Vellacott DFK
Russell Square House
10/12 Russell Square
London
WC1B 5LF

Chantrey Vellacott DFK

BAINBRIDGE INTERNATIONAL LIMITED

Directors' report for the year ended 31 December 2002

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

Review of the business

The principal activity of the company is that of the manufacture and marketing of boat fittings and distributors of sailcloth.

The principal activities of the company's subsidiary undertaking is printing and publishing. This company ceased trading on 31 December 2002 and it is the directors' intention to wind up that company in the next financial year.

The directors wish to draw to your attention to note 7 within the accounts which refers to £155,369 of one-off expenses incurred in 2002 as a result of the re-organisation of the company's operating structure. These difficult changes were made so as to establish a platform from which Bainbridge International Limited could better meet the ongoing challenges of the Marine Industry.

The directors are satisfied with the company's progress and look forward to a successful year.

Results and dividends

The results for the year ended 31 December 2002 are shown in the profit and loss account on page 6. The profit for the year after taxation was £21,207 .

Post balance sheet events

There have been no events since the year end which have had a material effect on the position of the company.

Directors

The directors who served during the year were:

J D Short	(Resigned 5 August 2002)
M Jordan	
R D White	(Appointed 5 August 2002)

Directors' interests in shares

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2002	1 January 2002
M Jordan	-	-
R D White	-	-

No director had any interest in the company's or the parent company's share capital during the period.

BAINBRIDGE INTERNATIONAL LIMITED

Directors' report for the year ended 31 December 2002 (continued)

Auditors

A resolution to reappoint Chantrey Vellacott DFK as auditors of the company will be proposed at the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of its financial year and of the profit or loss of the company for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 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.

Signed on behalf of the Board

..... M. 
M JORDAN
Director

Approved by the Board on 24 April 03

Chantrey Vellacott DFK

BAINBRIDGE INTERNATIONAL LIMITED

Independent auditors' report to the members of Bainbridge International Limited

We have audited the financial statements of Bainbridge International Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes, as set out on pages 6 to 18. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 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 an 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board of the Accountancy Foundation. 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.

BAINBRIDGE INTERNATIONAL LIMITED

Independent auditors' report to the members of Bainbridge International Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chantrey Vellacott DFK

CHANTREY VELLACOTT DFK

Chartered Accountants
Registered Auditors

LONDON

9 Sep 2003
.....

Chantrey Vellacott DFK

BAINBRIDGE INTERNATIONAL LIMITED

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	9,543,989	8,754,740
Cost of sales		<u>7,252,697</u>	<u>6,621,205</u>
Gross profit		<u>2,291,292</u>	<u>2,133,535</u>
Administrative expenses		2,175,716	2,070,260
Other operating income	11	<u>(76,574)</u>	<u>-</u>
Net operating expenses		<u>2,099,142</u>	<u>2,070,260</u>
Operating profit		192,150	63,275
Interest payable and similar charges	3	<u>(170,943)</u>	<u>(146,441)</u>
Profit/(loss) on ordinary activities before taxation	4 and 7	21,207	(83,166)
Tax on profit/(loss) on ordinary activities	8	<u>-</u>	<u>-</u>
Profit/(loss) for the year	16	<u>21,207</u>	<u>(83,166)</u>

None of the company's activities was acquired or discontinued during the above two financial years.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profits shown above and their historical cost equivalents.

The notes on pages 9 to 18 form part of these financial statements.

BAINBRIDGE INTERNATIONAL LIMITED

Balance sheet at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Intangible assets	9	1,848	2,464
Tangible assets	10	229,433	106,670
Investments	11	1	1
		<u>231,282</u>	<u>109,135</u>
Current assets			
Stocks	12	2,593,788	2,974,444
Debtors	13	1,990,666	1,091,828
Cash at bank and in hand		1,367	42,657
		<u>4,585,821</u>	<u>4,108,929</u>
Creditors: amounts falling due within one year	14	<u>(2,977,786)</u>	<u>(3,399,954)</u>
Net current assets		<u>1,608,035</u>	<u>708,975</u>
Total assets less current liabilities		<u><u>1,839,317</u></u>	<u><u>818,110</u></u>
Capital and reserves			
Called up share capital	15	1,850,300	850,300
Profit and loss account	16	(10,983)	(32,190)
Shareholders' funds	17	<u><u>1,839,317</u></u>	<u><u>818,110</u></u>

Approved by the Board on 24 April 03 and signed on its behalf.

M. Jordan

M JORDAN - Director

The notes on pages 9 to 18 form part of these financial statements.

BAINBRIDGE INTERNATIONAL LIMITED

Cash flow statement for the year 31 December 2002

	Notes	2002 £	2001 £
Net cash outflow from operating activities	18 a	<u>(674,086)</u>	<u>(470,427)</u>
Returns on investments and servicing of finance			
Interest paid		<u>(170,944)</u>	<u>(142,526)</u>
Net cash outflow for returns on investments and servicing of finance		<u>(170,944)</u>	<u>(142,526)</u>
Capital expenditure			
Payments to acquire tangible assets		<u>(159,377)</u>	<u>(28,212)</u>
Net cash outflow for capital expenditure		<u>(159,377)</u>	<u>(28,212)</u>
Net cash outflow before management of liquid resources and financing		<u>(1,004,407)</u>	<u>(641,165)</u>
Financing			
Issue of ordinary share capital		1,000,000	-
Other new short term loans		<u>14,178</u>	<u>543,880</u>
Net cash inflow from financing		<u>1,014,178</u>	<u>543,880</u>
Increase in cash in the year		<u>9,771</u>	<u>(97,285)</u>

The notes on pages 9 to 18 form part of these financial statements.

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

The financial statements present information of the company as an individual undertaking. The company is not required to prepare group financial statements as the group qualifies as medium sized under section 249 of the Companies Act 1985.

b) Depreciation of tangible fixed assets

Depreciation is not charged on expenditure on assets not yet in use. Depreciation on other tangible fixed assets is charged so as to write off their full costs less estimated residual value over their expected useful lives at the following rates:

Computer equipment	20% straight line
Plant and equipment	10% straight line
Office equipment	10% reducing balance
Computer development	25% straight line

c) Investments

Fixed asset investments are stated at cost less provision for diminution in value.

d) Goodwill

Goodwill is amortised over 20 years from its original capitalisation by the predecessor business during the accounting year ended 31 December 1985, in order to write off cost over the expected economic life.

Trademarks are amortised over 10 years, in order to write off the cost over the expected economic life.

e) Stock

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal.

f) Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no liability would have been recognised as the conditions for recognition would not have been satisfied.

g) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year end. All other gains and losses on exchange are dealt with in the profit and loss account.

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

1 Accounting policies (continued)

h) Hire purchase and lease transactions

Rentals under operating leases are charged to the profit and loss account as they fall due.

i) Pensions

The company provides a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as they become payable. There were no outstanding contributions at the period end (2001 - £nil).

2 Turnover

Turnover represents the amounts receivable for goods and services excluding VAT arising wholly within the United Kingdom.

No analysis of turnover according to geographic market is disclosed because, in the opinion of the directors, disclosure would be seriously prejudicial to the interests of the company.

3 Interest payable and similar charges

2002	2001
£	£

On bank loans and overdrafts wholly repayable within 5 years

170,943	146,441
<u> </u>	<u> </u>

4 Profit/(loss) on ordinary activities before taxation

2002	2001
£	£

This is stated after charging:

Amortisation of goodwill

617	616
------------	------------

Depreciation

36,614	35,234
---------------	---------------

Operating lease rentals:

Motor vehicles

70,112	80,543
---------------	---------------

Directors' emoluments (note 5)

75,344	118,755
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Auditors' remuneration:

In respect of audit services

14,000	13,925
<u> </u>	<u> </u>

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

5 Directors' emoluments	2002 £	2001 £
Emoluments	73,119	113,062
Pension contributions	2,225	5,693
	<u>75,344</u>	<u>118,755</u>

Pension contributions were paid in respect of 2 directors (2001 - 2).

Parkwood Management Limited, a company in which Mr. J D Short is a director, received fees amounting to £38,400 (2001 : £64,000) in respect of management consultancy services.

6 Employee information	2002 £	2001 £
Staff costs:		
Wages and salaries	1,017,155	912,090
Social security costs	96,343	87,275
Other pension costs	28,921	24,816
	<u>1,214,786</u>	<u>1,024,181</u>

The average monthly number of persons employed during the year, including executive directors, was made up as follows:

	Number	Number
Office and management	7	13
Manufacturing, sales and distribution	35	28
	<u>42</u>	<u>41</u>

7 Exceptional item

During the year the company incurred costs relating to administration and other reorganisation costs. These exceptional items which are summarised below have been classified within the profit and loss account under the appropriate heading and arise in respect of continuing operations.

	2002 £	2001 £
Administrative expenses:		
Redundancy costs	<u>155,369</u>	<u>-</u>

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

8	Taxation	2002 £	2001 £
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	21,207	(83,166)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00 % (2001 : 30.00 %)	6,362	(24,950)
	Effects of:		
	Non deductible expenses	(18,753)	4,930
	Capital allowances	(8,201)	56
	Increase in tax losses	20,592	19,964
		(6,362)	24,950
	Current tax charge	-	-

On the basis of these financial statements no provision is required for corporation tax or for deferred taxation.

9	Intangible fixed assets	Patents £	Goodwill £	Total £
	Cost:			
	At 1 January 2002 and 31 December 2002	1,154	7,885	9,039
	Amortisation:			
	At 1 January 2002	231	6,344	6,575
	Provision for the year	115	501	616
	At 31 December 2002	346	6,845	7,191
	Net book value:			
	At 31 December 2002	808	1,040	1,848
	At 31 December 2001	923	1,541	2,464

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Tangible fixed assets	Computer equipment	Plant and equipment	Office equipment	Computer developm ent	Total
	£	£	£	£	£
Cost:					
At 1 January 2002	134,162	121,857	50,819	97,328	404,166
Additions	108,251	36,738	14,388	-	159,377
At 31 December 2002	<u>242,413</u>	<u>158,595</u>	<u>65,207</u>	<u>97,328</u>	<u>563,543</u>
Depreciation:					
At 1 January 2002	97,158	90,480	18,679	91,179	297,496
Provision for the year	14,228	13,568	4,149	4,669	36,614
At 31 December 2002	<u>111,386</u>	<u>104,048</u>	<u>22,828</u>	<u>95,848</u>	<u>334,110</u>
Net book value:					
At 31 December 2002	<u>131,027</u>	<u>54,547</u>	<u>42,379</u>	<u>1,480</u>	<u>229,433</u>
At 31 December 2001	<u>37,004</u>	<u>31,377</u>	<u>32,140</u>	<u>6,149</u>	<u>106,670</u>

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

11 Investments

Shares in
group
undertakings
£

Cost:

At 1 January 2002 and 31 December 2002

1

In the opinion of the directors, the aggregate value of the company's interests in its subsidiary undertakings, including amounts owing, is not less than the values stated in the balance sheet at 31 December 2002.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Copymatch Limited	Great Britain	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 31 December 2002 £	Profit for the year ended 31 December 2002 £
Copymatch Limited	76,574	3,427

The above company ceased trading on 31 December 2002 and it is the directors' intention to wind up the company in the next financial year. Income of £76,574 has been recognised in these accounts representing intercompany liabilities which will not be payable as a result of the winding up.

12 Stocks

	2002 £	2001 £
Finished goods	2,044,088	2,548,971
Work in progress	126,755	106,951
Raw materials	422,945	318,522
	<u>2,593,788</u>	<u>2,974,444</u>

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

13 Debtors	2002 £	2001 £
Trade debtors	993,001	885,175
Amounts owed by group undertakings	818,598	-
Other debtors	1,350	16,556
Prepayments and accrued income	177,717	190,097
	<u>1,990,666</u>	<u>1,091,828</u>

14 Creditors: amounts falling due within one year	2002 £	2001 £
Current instalments due on loans	2,065,360	2,051,182
Bank overdraft	107,582	158,643
Trade creditors	632,154	643,653
Amounts owed to group undertakings	-	437,163
Amounts owed to related undertaking	35,542	1,665
Taxes and social security costs	27,428	28,360
Accruals and deferred income	109,720	79,288
	<u>2,977,786</u>	<u>3,399,954</u>

One loan of £1,365,360 (2001: £1,451,182) is secured by fixed and floating charges over the assets of the company.

15 Called up share capital	2002 £	2001 £
Authorised		
Equity shares:		
2,000,000 Ordinary shares of £ 1 each	<u>2,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
Equity shares:		
1,850,300 Ordinary shares of £ 1 each	<u>1,850,300</u>	<u>850,300</u>

A conversion of intercompany debt to equity in the US parent company took place in August 2002 for an amount of £1,000,000.

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

16 Reserves

Profit
and loss
account
£

At 1 January 2002	(32,190)
Profit retained for the year	21,207
At 31 December 2002	<u>(10,983)</u>

17 Reconciliation of movement on shareholders' funds

2002
£

2001
£

Profit/(Loss) for the financial year	21,207	(83,166)
Proceeds from issue of shares	1,000,000	-
Net addition to/(depletion in) shareholders' funds	<u>1,021,207</u>	<u>(83,166)</u>
Opening shareholders' funds	818,110	901,276
Closing shareholders' funds	<u>1,839,317</u>	<u>818,110</u>

Shareholders' funds are fully attributable to equity interests.

BAINBRIDGE INTERNATIONAL LIMITED

Notes to the financial statements for the year ended 31 December 2002 (continued)

18 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash outflow from operating activities	2002	2001
	£	£
Operating profit	192,150	63,275
Depreciation of tangible assets	36,614	35,234
Amortisation of intangible assets	617	616
Decrease/(increase) in stocks	380,656	(673,178)
(Increase)/decrease in debtors	(898,838)	52,867
(Decrease)/Increase in creditors within one year	(385,285)	50,759
Net cash outflow from operating activities	(674,086)	(470,427)

b) Analysis of net debt	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
	£	£	£	£
Net cash:				
Cash at bank and in hand	42,657	(41,290)	-	1,367
Bank overdrafts	(158,643)	51,061	-	(107,582)
	(115,986)	9,771	-	(106,215)
Debts falling due within one year	(2,051,182)	(14,178)	-	(2,065,360)
Net debt	(2,167,168)	(4,407)	-	(2,171,575)

c) Reconciliation of net cash flow to movement in net debt	2002	2001
	£	£
Increase/(decrease) in cash in the year	9,771	(97,285)
Cash inflow from increase in debt	(14,178)	(543,880)
Movement in net debt in the year	(4,407)	(641,165)
Opening net debt	(2,167,168)	(1,526,003)
Closing net debt	(2,171,575)	(2,167,168)

19 Contingent liabilities

A third party has given a £60,000 guarantee (2001 : £60,000) to H M Customs and Excise for a VAT deferment bond on behalf of the company.

BAINBRIDGE INTERNATIONAL LIMITED**Notes to the financial statements for the year ended 31 December 2002
(continued)****20 Pension commitments****Defined contribution**

	2002 £	2001 £
Contributions payable by the company for the year	<u>85,263</u>	<u>60,579</u>

21 Lease commitments

The company's commitments for rental payments under operating leases payable during the year to 31 December 2003 are as follows:

	Land and buildings £	Motor vehicles £
Leases expiring:		
Within one year of 31 December 2002	41,140	7,574
Between two and five years	-	48,221
Over five years	<u>92,000</u>	<u>-</u>
	<u>133,140</u>	<u>55,795</u>

22 Control

The company is a wholly owned subsidiary of Bainbridge International Inc., a company incorporated in the United States of America. The directors regard Meadowcrest Finance Limited, a company incorporated in the Virgin Islands, as the ultimate holding company.

23 Related party transactions

The company is a wholly owned subsidiary of Bainbridge International Inc. and is related to that company and its fellow subsidiaries.

	Sales £
Bainbridge International Inc (Incorporated in USA)	947,297
Bainbridge International Sarl (Incorporated in France)	1,645,897
Bainbridge Pty (Incorporated in Australia)	190,019

The company traded with these related parties at arms length and in the ordinary course of business. The year end balances with them are shown in notes 13 and 14.

Mr J D Short is a director of Parkwood Management Limited and holds 76% of that company's share capital. Parkwood Management Limited have recharged expenses at cost and management fees as shown in note 5. The amount due to Parkwood Management Limited at 31 December 2002 was £35,542 (2001 : £1,665) and is included in note 14.