

BAINBRIDGE INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



Company Registration Number 2354253

Tenon Limited
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

BAINBRIDGE INTERNATIONAL LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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BAINBRIDGE INTERNATIONAL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2004

The board of directors	M Jordan A S Meyers
Company secretary	M Jordan
Registered office	Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY
Auditors	Tenon Audit Limited Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY
Accountants	Tenon Limited Highfield Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3TY
Business address	8 Flanders Park Hedge End Southampton Hampshire SO30 2FZ

BAINBRIDGE INTERNATIONAL LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors present their report and the financial statements of the company for the year ended 31 December 2004.

Principal activities and business review

The principal activity of the company continued to be that of the manufacture and marketing of boat fittings and distributors of sailcloth.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expected continual growth in the foreseeable future.

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.

The directors have not recommended a dividend.

Research and development

During the year the company incurred costs for research and development in relation to commercial projects which it feels the company will benefit from.

The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2004	At 1 January 2004
M Jordan	—	—
A S Meyers	—	—

The directors hold no beneficial interest in the holding company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. 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.

BAINBRIDGE INTERNATIONAL LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

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. The directors 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.

Auditors

On 28 February 2005 our auditors, Blueprint Audit Limited, changed their name to Tenon Audit Limited and have signed the audit report in their new name.

Tenon Audit Limited have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

Signed on behalf of the directors

M. 

M Jordan

Director

Approved by the directors on 14th June 05

BAINBRIDGE INTERNATIONAL LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BAINBRIDGE INTERNATIONAL LIMITED
YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of Bainbridge International Limited for the year ended 31 December 2004 on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

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 auditors' 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 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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

BAINBRIDGE INTERNATIONAL LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BAINBRIDGE INTERNATIONAL LIMITED *(continued)*
YEAR ENDED 31 DECEMBER 2004

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 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor

Highfield Court
Tollgate
Chandlers Ford
Eastleigh
Hampshire
SO53 3TY

Date:- 20 June 2005

BAINBRIDGE INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Turnover	2	9,178,171	8,454,379
Cost of sales		(6,912,134)	(6,384,704)
Gross profit		<u>2,266,037</u>	<u>2,069,675</u>
Administrative expenses		(1,995,270)	(1,901,155)
Other operating income	3	26,533	12,100
Operating profit	4	<u>297,300</u>	<u>180,620</u>
Interest receivable		727	205
Amounts written off investments	7	—	(1)
Interest payable and similar charges	8	(150,609)	(150,855)
Profit on ordinary activities before taxation		<u>147,418</u>	<u>29,969</u>
Tax on profit on ordinary activities	9	—	—
Retained profit for the financial year		<u><u>147,418</u></u>	<u><u>29,969</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 9 to 17 form part of these financial statements.


BAINBRIDGE INTERNATIONAL LIMITED

BALANCE SHEET

31 DECEMBER 2004

	Note	2004 £	£	2003 £	£
Fixed assets					
Intangible assets	10		4,887		3,909
Tangible assets	11		200,343		206,877
Investments	12		100		—
			<u>205,330</u>		<u>210,786</u>
Current assets					
Stocks	13	2,547,520		2,576,043	
Debtors	14	2,381,677		1,957,270	
Cash at bank and in hand		<u>246,925</u>		<u>19,587</u>	
		5,176,122		4,552,900	
Creditors: Amounts falling due within one year	15	<u>(3,364,748)</u>		<u>(2,894,400)</u>	
Net current assets			1,811,374		1,658,500
Total assets less current liabilities			<u>2,016,704</u>		<u>1,869,286</u>
Capital and reserves					
Called-up share capital	20		1,850,300		1,850,300
Profit and loss account	21		166,404		18,986
Shareholders' funds	22		<u>2,016,704</u>		<u>1,869,286</u>

These financial statements were approved by the directors on the 14th June 05 and are signed on their behalf by:

M. 

M Jordan
Director

The notes on pages 9 to 17 form part of these financial statements.

BAINBRIDGE INTERNATIONAL LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	£	2003 £	£
Net cash inflow from operating activities	23		572,304		344,801
Returns on investments and Servicing of finance					
Interest received		727		205	
Interest paid		(150,609)		(150,855)	
Net cash outflow from returns on investments and servicing of finance			(149,882)		(150,650)
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		(2,090)		(2,844)	
Payments to acquire tangible fixed assets		(44,866)		(41,282)	
Receipts from sale of fixed assets		-		4,966	
Acquisition of investments		(100)		-	
Net cash outflow for capital expenditure and financial investment			(47,056)		(39,160)
Cash inflow before financing			375,366		154,991
Financing					
Repayment of bank loans		(104,559)		(72,658)	
Net cash outflow from financing			(104,559)		(72,658)
Increase in cash	23		270,807		82,333

The notes on pages 9 to 17 form part of these financial statements.

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1. Accounting policies

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Research and development

Research and development expenditure is written off in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of twenty years.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant & Machinery & Motor Vehicles	- 10% - 33% straight line
Office equipment	- 10% reducing balance & 20% straight line
Computer development	- 25% straight line

Stock

Stock is valued at the lower of cost and net realisable value. Stock provisions are made against slow moving and obsolete lines.

Leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1. Accounting policies *(continued)*

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Patents

Patents and copyrights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of ten years.

2. Turnover

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

3. Other operating income

	2004	2003
	£	£
Rent receivable	13,200	12,100
Other operating income	13,333	–
	<u>26,533</u>	<u>12,100</u>

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

4. Operating profit

Operating profit is stated after charging/(crediting):

	2004	2003
	£	£
Amortisation	1,112	783
Research and development expenditure written off	—	5,721
Depreciation of owned fixed assets	51,400	56,202
Loss on disposal of fixed assets	—	2,670
Auditors' remuneration	6,725	8,050
Operating lease costs:		
-Other	195,529	236,955
Net loss/(profit) on foreign currency translation	<u>25,883</u>	<u>(2,259)</u>

5. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Manufacturing, sales and distribution staff	33	32
Office and management	6	4
	<u>39</u>	<u>36</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	1,056,610	955,113
Social security costs	88,516	84,224
Other pension costs	18,702	23,630
	<u>1,163,828</u>	<u>1,062,967</u>

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£	£
Emoluments receivable	69,625	69,966
Value of company pension contributions to money purchase schemes	3,153	3,161
	<u>72,778</u>	<u>73,127</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2004	2003
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

7. Amounts written off investments

	2004	2003
	£	£
Amount written off investments	<u>—</u>	<u>1</u>

8. Interest payable and similar charges

	2004	2003
	£	£
Interest payable on bank borrowing	<u>150,609</u>	<u>150,855</u>

9. Taxation on ordinary activities

On the basis of these financial statements no provision has been made for corporation tax.

The company has tax losses of £141,391 (2003: £284,416) available to carry forward against future trading profits.

10. Intangible fixed assets

	Goodwill	Copyrights, Patents & Trademarks	Total
	£	£	£
Cost			
At 1 January 2004	7,885	3,998	11,883
Additions	<u>—</u>	<u>2,090</u>	<u>2,090</u>
At 31 December 2004	<u>7,885</u>	<u>6,088</u>	<u>13,973</u>
Amortisation			
At 1 January 2004	7,346	628	7,974
Charge for the year	<u>539</u>	<u>573</u>	<u>1,112</u>
At 31 December 2004	<u>7,885</u>	<u>1,201</u>	<u>9,086</u>
Net book value			
At 31 December 2004	<u>—</u>	<u>4,887</u>	<u>4,887</u>
At 31 December 2003	<u>539</u>	<u>3,370</u>	<u>3,909</u>

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

11. Tangible fixed assets

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Computer Equipment £	Computer Development £	Total £
Cost						
At 1 Jan 2004	176,109	63,763	–	174,199	97,328	511,399
Additions	10,217	–	4,341	27,248	3,060	44,866
At 31 Dec 2004	<u>186,326</u>	<u>63,763</u>	<u>4,341</u>	<u>201,447</u>	<u>100,388</u>	<u>556,265</u>
Depreciation						
At 1 Jan 2004	121,288	26,545	–	59,361	97,328	304,522
Charge for the year	8,580	3,722	1,211	37,823	64	51,400
At 31 Dec 2004	<u>129,868</u>	<u>30,267</u>	<u>1,211</u>	<u>97,184</u>	<u>97,392</u>	<u>355,922</u>
Net book value						
At 31 Dec 2004	<u>56,458</u>	<u>33,496</u>	<u>3,130</u>	<u>104,263</u>	<u>2,996</u>	<u>200,343</u>
At 31 Dec 2003	<u>54,821</u>	<u>37,218</u>	<u>–</u>	<u>114,838</u>	<u>–</u>	<u>206,877</u>

12. Investments

Investment in subsidiary undertaking

	£
Cost	
Additions	100
At 31 December 2004	<u>100</u>
Net book value	
At 31 December 2004	<u>100</u>

Holdings of more than 20%

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

Company	Class	Shares held %	Net assets £
Aqua-Marine International Limited	Ordinary	100	–

Aqua-Marine is a company registered in England and Wales. At the year end Aqua-Marine had only traded for 2 months therefore there are no results to disclose.

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

13. Stocks

	2004 £	2003 £
Raw materials	503,334	377,883
Finished goods	2,044,186	2,198,160
	<u>2,547,520</u>	<u>2,576,043</u>

14. Debtors

	2004 £	2003 £
Trade debtors	1,529,252	862,149
Amounts owed by group undertakings	636,962	883,240
VAT recoverable	23,936	12,399
Other debtors	33,502	9,953
Prepayments and accrued income	158,025	189,529
	<u>2,381,677</u>	<u>1,957,270</u>

15. Creditors: Amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	1,888,143	2,036,171
Trade creditors	1,146,805	734,777
PAYE and social security	27,573	28,495
Other creditors	234,608	8,965
Accruals and deferred income	67,619	85,992
	<u>3,364,748</u>	<u>2,894,400</u>

Included in creditors are loans amounting to £1,388,142 (2003: £1,486,171) which are secured by fixed and floating charges over the assets of the company.

16. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and contributions into individuals private pension plans. At the year end there was £639 payable to the pension scheme.

17. Commitments under operating leases

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004 Land & buildings £	Other items £	2003 Land & buildings £	Other items £
Operating leases which expire:				
Within 1 year	—	—	—	5,391
Within 2 to 5 years	43,144	25,948	43,000	27,975
After more than 5 years	103,500	—	107,720	—
	<u>146,644</u>	<u>25,948</u>	<u>150,720</u>	<u>33,366</u>

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

18. Contingencies

A third party has given a £40,000 guarantee (2003: £40,000) to H M Customs and Excise for VAT deferment bond on behalf of the company.

19. Related party transactions

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

During the year, the company also purchased 100 shares in Aqua-Marine International Limited as a wholly owned subsidiary.

The company has made sales to related parties as follows:

Bainbridge International Inc. (Incorporated in USA), £1,048,167 (2003: £957,906), Bainbridge International Sarl (Incorporated in France), £416,286 (2003: £1,653,554), Bainbridge Pty (Incorporated in Australia) £254,206 (2003: £164,721).

The company also made purchases of £975,978 (2003 £1,067,358) from Bainbridge International Inc., £65,459 (2003: £124,819) from Bainbridge International Sarl and £3,240 (2003: £nil) from Bainbridge International Pty.

All these transactions occurred at arms length and in the ordinary course of business.

The balance outstanding from the company's parent and fellow subsidiaries amounted to £636,942 (2003: £883,240) and is included in debtors.

20. Share capital

Authorised share capital:

	2004	2003
	£	£
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	2004		2003
	No	£	No
			£
Ordinary shares of £1 each	<u>1,850,300</u>	<u>1,850,300</u>	<u>1,850,300</u>

21. Profit and loss account

	2004	2003
	£	£
Balance brought forward	18,986	(10,983)
Retained profit for the financial year	<u>147,418</u>	<u>29,969</u>
Balance carried forward	<u>166,404</u>	<u>18,986</u>

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

22. Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the financial year	147,418	29,969
Opening shareholders' equity funds	1,869,286	1,839,317
Closing shareholders' equity funds	<u>2,016,704</u>	<u>1,869,286</u>

23. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2004	2003
	£	£
Operating profit	297,300	180,620
Amortisation	1,112	783
Depreciation	51,400	56,202
Loss on disposal of fixed assets	—	2,670
Decrease in stocks	28,523	17,745
(Increase)/decrease in debtors	(424,407)	33,396
Increase in creditors	618,376	53,385
Net cash inflow from operating activities	<u>572,304</u>	<u>344,801</u>

Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
Increase in cash in the period	270,807	82,333
Net cash outflow from bank loans	104,559	72,658
Change in net debt	<u>375,366</u>	<u>154,991</u>
Net debt at 1 January 2004	(2,016,584)	(2,171,575)
Net debt at 31 December 2004	<u>(1,641,218)</u>	<u>(2,016,584)</u>

Analysis of changes in net debt

	At 1 January 2004 £	Cash flows £	At 31 December 2004 £
Net cash:			
Cash in hand and at bank	19,587	227,338	246,925
Overdrafts	(43,469)	43,469	—
	<u>(23,882)</u>	<u>270,807</u>	<u>246,925</u>
Debt:			
Debt due within 1 year	(1,992,702)	104,559	(1,888,143)
Net debt	<u>(2,016,584)</u>	<u>375,366</u>	<u>(1,641,218)</u>

BAINBRIDGE INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

24. Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2004.

25. Post balance sheet events

After the year end the share capital of Aqua-Marine International Limited has been increased to 50,000 £1 shares. The additional 49,900 shares have all been acquired by Bainbridge International Limited at par value.

26. Control

The company is a wholly owned subsidiary of Bainbridge International Inc., a company incorporated in United States of America. A copy of its consolidated financial statements can be obtained from 255 Revere Street, Canton, Massachusett.

The directors regard Meadowcrest Finance Limited, a company incorporated in the Virgin Islands, as the ultimate holding company.