



MACLAREN EUROPE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003

MACLAREN EUROPE LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

Company registration number: 04144247

Registered office: Station Works
Long Buckby
Northampton

Director: K Jahanshad (appointed 1 January 2003, resigned 24 November 2003)
A Crankshaw (appointed 24 November 2003)

Secretary: H J Lynch

Bankers: Fortis Bank
Camomile Court
London

Solicitors: Nabarro Nathanson
Theobald's Road
London

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants

MACLAREN EUROPE LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

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MACLAREN EUROPE LIMITED

REPORT OF THE DIRECTOR

For the year ended 31 December 2003

The director presents his report together with financial statements for the year ended 31 December 2003.

Principal activity

The company's principal activity is the distribution and sale of pushchairs and ancillary products.

Business review

There was a profit for the year after taxation of £617,710 (2002: £234,705). The director does not recommend the payment of a dividend (2002: £Nil) with £617,710 being transferred to reserves.

Director

The membership of the Board is set out below.

Mr K Jahanshad (appointed 1 January 2003, resigned 24 November 2003)

Mr A E Crankshaw (appointed 24 November 2003)

Neither director had any interest in the shares of the company at 31 December 2003 or at any time during the year.

Charitable donations

During the year the company made charitable donations of £2,983 (2002: £5,000).

Director's responsibilities for the financial statements

Company law in the United Kingdom requires the director 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 those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently
- make judgements 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 director is responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Research and development

Expenditure incurred in respect of research and development arises solely from the development of new products.

MACLAREN EUROPE LIMITED

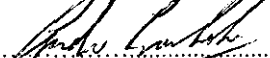
REPORT OF THE DIRECTOR

For the year ended 31 December 2003

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership converted to a limited liability partnership called Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

ON BEHALF OF THE BOARD



A E Crankshaw
Director

14 September 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MACLAREN EUROPE LIMITED**

We have audited the financial statements of McLaren Europe Limited for the period ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 23. These financial statements have been prepared under 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MACLAREN EUROPE LIMITED**

Basis of opinion (continued)

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. However, the evidence available to us was limited in relation to the comparatives in the current year's financial statements which are derived from the financial statements for the year ended 31 December 2002. In our report on those financial statements we stated that, because we were appointed auditors on 23 July 2002, it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate audit evidence concerning the quantities and conditions of certain stock included in the balance sheet at 31 December 2001 at £1,558,531. Any adjustment to this figure would have a consequential effect on the profit for the year ended 31 December 2002 and, consequently, our opinion on the financial statements for the year ended 31 December 2002 was qualified because of this limitation in audit scope. Accordingly the amounts shown as cost of sales and profit for the year ended 31 December 2002 may not be comparable with the figures for the current period.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and, except for adjustments to the comparatives which might have been found to be necessary had we been able to obtain sufficient evidence concerning stock at 31 December 2001, have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Northampton

15 September 2004

MACLAREN EUROPE LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The principal accounting policies of the company are set out below.

TURNOVER

Turnover represents the total amount receivable in the ordinary course of business for goods sold and services provided. It is stated exclusive of value added tax.

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 expected useful lives.

The periods generally applicable are:

Plant and equipment	4 years
Office equipment	4 years
Computer equipment	3 years
Motor vehicles	4 years

STOCKS

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

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account on a straight line basis over the lease term.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to individual private pension schemes in respect of the accounting period.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profits in the year in which it is incurred.

MACLAREN EUROPE LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Exchange differences are dealt with in the profit and loss account.

PROVISIONS

In accordance with Financial Reporting Standard (FRS) 12, the company provides for warranty costs arising from past events which result in a present obligation. Warranty costs are assessed through analysis of product sold to arrive at a best estimate of the likely costs to the company.

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 sheet date.

MACLAREN EUROPE LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	1	15,010,911	10,818,208
Cost of sales	2	<u>(10,426,012)</u>	<u>(7,505,355)</u>
Gross profit		4,584,899	3,312,853
Other operating income and charges	2	<u>(3,446,378)</u>	<u>(2,965,676)</u>
Operating profit		1,138,521	347,177
Net interest	3	<u>(134,411)</u>	<u>(148,095)</u>
Profit on ordinary activities before taxation		1,004,110	199,082
Tax on profit on ordinary activities	5	(386,400)	35,623
Profit for the financial year transferred to reserves	13	<u>617,710</u>	<u>234,705</u>

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

The accompanying accounting policies and notes form an integral part of these financial statements.

MACLAREN EUROPE LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	6		178,320		191,608
Current assets					
Stocks	7	2,339,872		1,483,274	
Debtors	8	1,754,718		1,807,236	
Cash		80,541		84,336	
		4,175,131		3,374,846	
Creditors: amounts falling due within one year	9	2,891,039		2,854,127	
Net current assets			1,284,092		520,719
Total assets less current liabilities			1,462,412		712,327
Creditors: amounts falling due in more than one year	10		850,000		850,000
Provisions for liabilities and charges	11		104,535		77,220
			507,877		(214,893)
Capital and reserves					
Called up share capital	12		105,061		1
Profit and loss account	13		402,816		(214,894)
Shareholders' funds	14		507,877		(214,893)

The financial statements were approved by the Board of Directors on 14 September 2004



A E Crankshaw
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

MACLAREN EUROPE LIMITED**CASH FLOW STATEMENT**

For the year ended 31 December 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	15	574,499	576,926
Returns on investments and servicing of finance			
Interest received		411	932
Interest paid		(134,822)	(168,218)
Net cash outflow from returns on investments and servicing of finance		(134,411)	(167,286)
Capital expenditure and financial investment			
Purchase of tangible assets		(71,763)	(157,838)
Net cash outflow from capital expenditure and financial investment		(71,763)	(157,838)
Financing			
Issue of shares		105,060	-
Repayment of financing		(477,180)	(300,302)
Capital element of finance lease rentals		-	(7,054)
Net cash outflow from financing		(372,120)	(307,356)
Decrease in cash	16	(3,795)	(55,554)

The accompanying accounting policies and notes form an integral part of these financial statements.

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover is attributable to the activity stated in the Report of the Directors.

An analysis of turnover by geographical market is given below:

	2003 £	2002 £
United Kingdom	10,534,578	7,204,208
Europe	4,343,232	2,910,801
Rest of World	133,101	703,199
	<u>15,010,911</u>	<u>10,818,208</u>

Profit on ordinary activities before taxation is stated after:

	2003 £	2002 £
Auditors' remuneration	19,050	18,000
Depreciation:		
Tangible fixed assets, owned	85,051	58,340
Other operating lease rentals	193,246	192,032
Research and development expenditure	<u>142,809</u>	<u>98,319</u>

2 COST OF SALES AND OTHER OPERATING INCOME AND CHARGES

	Note	2003 £	2002 £
Cost of sales		<u>10,426,012</u>	<u>7,505,355</u>
Staff costs	4	1,817,718	1,580,002
Depreciation	6	85,051	58,340
Other operating charges		1,678,870	1,340,202
Other operating income		(135,261)	(12,868)
		<u>3,446,378</u>	<u>2,965,676</u>

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

3 NET INTEREST

	2003 £	2002 £
On bank loans and overdrafts	59,309	95,117
On loans from parent	75,513	53,910
Interest receivable and similar income	(411)	(932)
	<u>134,411</u>	<u>148,095</u>

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2003 £	2002 £
Wages and salaries	1,591,844	1,374,727
Social security costs	182,365	149,464
Pension costs	43,572	55,811
	<u>1,817,781</u>	<u>1,580,002</u>

The average number of employees of the company in the year was as follows:

	2003 Number	2002 Number
Logistics, including warehouse, repairs and customer services	22	22
Sales and marketing	14	13
New product development	8	8
Management and administration	15	15
	<u>59</u>	<u>58</u>

The director received no remuneration from the company during the year.

MACLAREN EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) represents:

	2003 £	2002 £
UK corporation tax	342,115	-
Origination and reversal of timing differences	35,623	66,492
Adjustment to estimated recoverable amount of deferred tax assets	-	(102,115)
Adjustment in respect of prior year corporation tax	8,662	-
Total deferred tax and tax on profit on ordinary activities	<u>386,400</u>	<u>(35,623)</u>

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2002: 30%).
The differences are explained as follows:

	2003 £	2002 £
Profit on ordinary activities before tax	1,004,110	199,082
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	301,233	59,725
Effect of:		
Expenses not deductible for tax purposes	15,784	5,342
Differences between capital allowances and depreciation	6,904	(119)
Other timing differences	18,194	1,544
Utilisation of tax losses	-	(66,492)
Adjustment to tax charge in respect of prior years	8,662	-
Current tax charge for the year	<u>350,777</u>	<u>-</u>

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

6

TANGIBLE FIXED ASSETS

	Plant and equipment £	Office equipment £	Computers £	Motor vehicles £	Total £
Cost					
At 1 January 2003	13,200	65,897	144,211	36,029	259,337
Additions in the year	8,920	19,112	43,731	-	71,763
At 31 December 2003	<u>22,120</u>	<u>85,009</u>	<u>187,942</u>	<u>36,029</u>	<u>331,100</u>
Depreciation					
At 1 January 2003	6,325	17,494	33,114	10,796	67,729
Provided in the year	3,506	20,123	52,415	9,007	85,051
At 31 December 2003	<u>9,831</u>	<u>37,617</u>	<u>85,529</u>	<u>19,803</u>	<u>152,780</u>
Net book amount at 31 December 2003	<u>12,289</u>	<u>47,392</u>	<u>102,413</u>	<u>16,226</u>	<u>178,320</u>
Net book amount at 31 December 2002	<u>6,875</u>	<u>48,403</u>	<u>111,097</u>	<u>25,233</u>	<u>191,608</u>

MACLAREN EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2003

7 STOCKS

	2003 £	2002 £
Finished goods and spare parts (including goods in transit)	<u>2,339,872</u>	<u>1,483,274</u>

8 DEBTORS

	2003 £	2002 £
Trade debtors	1,523,131	1,125,706
Amounts due from associated undertakings	7,406	455,554
Value Added Tax	30,758	-
Other debtors	86,728	111,489
Prepayments and accrued income	89,244	78,864
Corporation tax	17,451	-
Deferred tax	-	35,623
	<u>1,754,718</u>	<u>1,807,236</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans	-	477,180
Trade creditors	1,441,275	929,320
Amounts due to parent	112,278	179,762
Amounts due to associated undertakings	281,063	610,773
Corporation tax	368,228	-
Social security and other taxes	67,557	98,308
Other creditors	9,080	41,230
Accruals	611,558	517,554
	<u>2,891,039</u>	<u>2,854,127</u>

Included within other creditors is an amount of £9,049 (2002: £23,574) due to Lloyds TSB Commercial Finance Limited. This is secured by way of an all assets debenture.

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

10 CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2003 £	2002 £
Amounts due to parent - loans	<u>850,000</u>	<u>850,000</u>

Until 14 February 2003 the loan from the parent attracted interest at 6% per annum.

On this date the loan became classified as a subordinate loan and bears imputed interest at 9% per annum, compounded twice yearly. The loan is due to be redeemed in full on 14 February 2008 but may be redeemed earlier, on 14 February 2005 at the borrower's discretion.

The loan is secured by a fixed and floating charge over all the assets of the company.

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provision 2003 £	Warranty provision 2002 £
At 1 January 2003	77,220	89,780
Provided during the year	104,535	77,220
Utilised during the year	(77,220)	(89,780)
At 31 December 2003	<u>104,535</u>	<u>77,220</u>

The warranty provision is the company's best estimate of the cost of fulfilling this obligation based upon the underlying claims rate by product line.

No deferred taxation liability existed at 31 December 2003 or 2002.

12 CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised 105,061 ordinary shares of £1 each	<u>105,061</u>	<u>100</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>105,061</u>	<u>1</u>

On 14 February 2003 the company issued 105,060 ordinary shares of £1 each at par.

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

13 PROFIT AND LOSS ACCOUNT

	Profit and loss account £
At 1 January 2003	(214,894)
Retained profit for the year	617,710
At 31 December 2003	<u>402,816</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the year	617,710	234,705
Issue of shares	<u>105,060</u>	<u>-</u>
Net increase in shareholders' funds	722,770	234,705
Shareholders' funds at 1 January 2003	(214,893)	(449,598)
Shareholders' funds at 31 December 2003	<u>507,877</u>	<u>(214,893)</u>

15 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	1,138,521	347,177
Depreciation	85,051	58,340
(Increase)/decrease in stocks	(856,598)	75,257
Decrease in debtors	34,346	316,073
Increase/(decrease) in creditors	145,864	(219,921)
Movement on provisions	27,315	-
	<u>574,499</u>	<u>576,926</u>

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £	2002 £
Decrease in cash in the year	(3,795)	(55,554)
Cash outflow from financing	477,180	300,302
Cash outflow from finance leases in the year	-	7,054
Movement in net debt in the year	473,385	251,802
Net debt at 1 January 2003	(1,242,844)	(1,494,646)
Net debt at 31 December 2003	<u>(769,459)</u>	<u>(1,242,844)</u>

17 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2003	Cashflow	At 31 December 2003
Cash at bank and in hand	84,336	(3,795)	80,541
Bank loans	(477,180)	477,180	-
Loan from parent	(850,000)	-	(850,000)
	<u>(1,242,844)</u>	<u>473,385</u>	<u>(769,459)</u>

18 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2003 or at 31 December 2002.

19 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2003 or at 31 December 2002.

20 PENSIONS

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

MACLAREN EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

21 LEASING COMMITMENTS

Operating lease payments amounting to £190,00 (2002: £Nil) are due within one year. The leases to which these amounts relate expire as follows:

	2003	2002
	Land and	Land and
	buildings	buildings
	£	£
In five years or more	190,000	-

22 RELATED PARTIES

During the year, the company undertook the following transactions with Sunleigh PLC and its subsidiary undertakings.

Rent payable to Sunleigh PLC amounted to £42,078 (2002: £190,000).

Net balances due at 31 December 2003 to Sunleigh PLC and its subsidiary undertakings amounted to £223,062 (2002: £155,218).

Included within accruals at 31 December 2002 was a sum of £92,000 due to Sunleigh PLC in respect of rent payable.

At 31 December 2003, included within amounts due to parent is an amount of £850,000 owed to Spring Meadow Holdings Limited. Interest on this loan during the period amounted to £73,795 (2002: £53,910), with interest accrued in total of £67,278 (2002: £98,762).

During the year management charges were due to Spring Meadow Holdings Limited amounting to £45,000 (2002: £45,000). The balance outstanding at the year end owed to Spring Meadow Holdings Limited amounted to £45,000 (2002: £81,000).

During the year the company was charged £96,590 (2002: £Nil) by Sina Holdco Limited in respect of consultancy fees, the company made sales to Sina Holdco Limited of £15,000. At the year end the company owed Sina Holdco Limited £58,000.

Sina Holdco Limited is a 100% subsidiary of Spring Meadow Holdings Limited.

The company made sales in the year of £156,877 to Performance Sailcraft Europe Limited. Performance Sailcraft Europe Limited is a member of the group headed by Spring Meadow Holdings Limited.

Andrew Crankshaw, a director of the company, was, until 10 November 2003, a director of Sunleigh PLC and from 1 November 2003 a director of Sina Holdco Limited.

23 ULTIMATE PARENT UNDERTAKING AND CONTROLLING RELATED PARTY

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