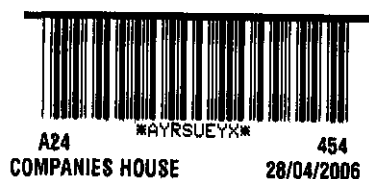


Broadblue Catamarans Limited

Unaudited financial statements

For the year ended 31 December 2004

Grant Thornton 



Company No. 04247646

Company information

Company registration number	04247646
Registered office	Colonial House Anson Way Beccles Business Park BECCLES Suffolk NR34 7TL
Directors	Mrs C W R Elliot Mr M K R Elliot Ms E R R Elliot Mr P M Dean Mrs J E Love Mr R H Underwood Mr S P Davidsen
Secretary	Mrs C W R Elliot
Accountants	Grant Thornton UK LLP Chartered Accountants Crown House Crown Street IPSWICH Suffolk IP1 3HS

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Report of the directors

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

Principal activities

The principal activity of the company during the year was that of the construction and sale of catamarans.

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:

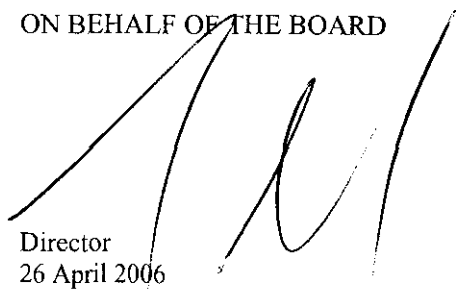
		At 31 December 2004	At 1 January 2004
Mrs C W R Elliot	Ordinary A shares	35	35
Mr M K R Elliot	Ordinary A shares	140	140
Ms E R R Elliot	Ordinary A shares	10	10
Mr P M Dean	Ordinary A shares	11	11
Mrs J E Love	Ordinary A shares	11	11
Mr R H Underwood	Ordinary A shares	55	55
Mr R A Dempsey	Ordinary B shares	18	18
Mr S P Davidsen	Ordinary B shares	12	12

Mr R A Dempsey retired as a director on 27 June 2005.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

ON BEHALF OF THE BOARD

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the top.

Director
26 April 2006

Chartered accountants' report to the board of directors on the unaudited financial statements of Broadblue Catamarans Limited

In accordance with the engagement letter dated 26 January 2005, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company for the year ended 31 December 2004 which comprise the principal accounting policies, profit and loss account, balance sheet and the related notes from the accounting records and information and explanations you have given to us.

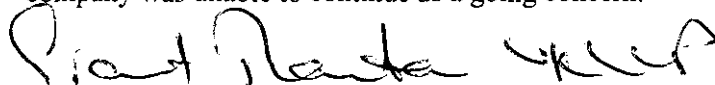
This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this 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 board of directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the year ended 31 December 2004 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

The company incurred a net loss before tax of £102,161 during the year ended 31 December 2004 and, at that date, the company's liabilities exceeded its total assets by £474,208. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS

IPSWICH
26 April 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery - 20% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress is stated after deducting related payments on account.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

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.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

Profit and loss account

	Note	2004 £	2003 £
Turnover		1,986,203	1,296,513
Cost of sales		1,730,291	1,151,024
Gross profit		255,912	145,489
Other operating charges	2	357,302	423,750
Other operating income	3	(10,968)	(38,567)
Operating loss	4	(90,422)	(239,694)
Interest payable and similar charges		11,739	2,554
Loss on ordinary activities before taxation		(102,161)	(242,248)
Tax on loss on ordinary activities	6	34,860	—
Loss for the financial year	17	(137,021)	(242,248)

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

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	7	<u>118,805</u>	<u>138,156</u>
Current assets			
Stocks		64,777	262,150
Debtors	8	441,879	274,826
Cash at bank		<u>134,292</u>	<u>115,207</u>
		640,948	652,183
Creditors: amounts falling due within one year	9	<u>1,198,044</u>	<u>1,075,276</u>
Net current liabilities		<u>(557,096)</u>	<u>(423,093)</u>
Total assets less current liabilities		<u>(438,291)</u>	<u>(284,937)</u>
Government grants	11	35,917	52,250
		<u>(474,208)</u>	<u>(337,187)</u>

The Balance sheet continues on the following page.

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

	Note	2004 £	2003 £
Capital and reserves			
Called-up equity share capital	16	304	304
Share premium account		44,978	44,978
Profit and loss account	17	(519,490)	(382,469)
Deficiency		<u>(474,208)</u>	<u>(337,187)</u>

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act.

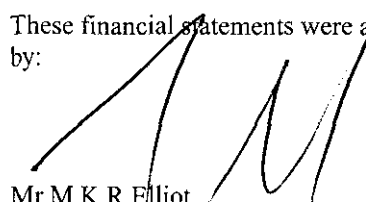
The directors acknowledge their responsibilities for:

- (i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on 26 April 2006 and are signed on their behalf by:

Mr M K R Elliot
Director



Notes to the financial statements

1 Going concern

The directors consider that it remains appropriate for these accounts to be prepared on the going concern basis.

The directors note that the new 375 catamaran has been well received by the trade press and has led to a growing order book. Production of the company's catamarans is now subcontracted to yards in the UK and eastern europe thereby enabling the company to reduce its overheads. The management accounts for the year to 31 December 2005 show profits and the directors anticipate that this trend will continue.

2 Other operating income and charges

	2004 £	2003 £
Administrative expenses	<u>357,302</u>	<u>423,750</u>

3 Other operating income

	2004 £	2003 £
Management charges receivable	—	27,007
Other operating income	<u>10,968</u>	<u>11,560</u>
	<u>10,968</u>	<u>38,567</u>

4 Operating loss

Operating loss is stated after charging/(crediting):

	2004 £	2003 £
Amortisation of government grants re fixed assets	(16,333)	(13,000)
Depreciation of owned fixed assets	24,229	24,156
Depreciation of assets held under finance leases and hire purchase agreements	—	5,833
Loss on disposal of fixed assets	4,191	245
Net loss on foreign currency translation	<u>—</u>	<u>16</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments	100,805	96,900
Value of company pension contributions to money purchase schemes	1,600	3,333
	<u>102,405</u>	<u>100,233</u>

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

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

6 Taxation on ordinary activities

	2004 £	2003 £
Deferred tax:		
Origination and reversal of timing differences	<u>34,860</u>	<u>-</u>

7 Tangible fixed assets

	Plant & Machinery £
Cost	
At 1 January 2004	195,283
Additions	9,069
Disposals	(4,191)
At 31 December 2004	<u>200,161</u>
Depreciation	
At 1 January 2004	57,127
Charge for the year	24,229
At 31 December 2004	<u>81,356</u>
Net book value	
At 31 December 2004	<u>118,805</u>
At 31 December 2003	<u>138,156</u>

Included within the net book value of £118,805 is £Nil (2003 - £23,334) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2003 - £5,833).

8 Debtors

	2004 £	2003 £
Trade debtors	224,842	31,398
Amounts owed by related undertakings	201,707	136,841
VAT recoverable	706	—
Deferred tax asset	—	34,860
Other debtors	14,624	71,727
	<u>441,879</u>	<u>274,826</u>

The deferred tax asset is represented by:

	2004 £	2003 £
Accelerated capital allowances	—	(15,720)
Taxable losses	—	50,580
	<u>—</u>	<u>34,860</u>

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	331,955	294,851
Trade creditors	171,262	272,933
Amounts owed to related undertakings	68,225	245,097
Payments received on account	607,165	234,500
PAYE and social security	6,786	7,961
Amounts due under finance leases and hire purchase agreements	—	9,403
Other creditors	12,651	10,531
	<u>1,198,044</u>	<u>1,075,276</u>

The bank overdraft is secured by a cross guarantee and debenture dated 12 March 2003 (see note 13).

10 Deferred taxation

Provisions have been made in the financial statements as follows using a tax rate of 19%:

	2004 Provided £	2004 Unprovided £	2003 Provided £	2003 Unprovided £
Accelerated capital allowances	—	(15,650)	(15,720)	—
Tax losses available	—	112,000	50,580	44,250
	<u>—</u>	<u>96,350</u>	<u>34,860</u>	<u>44,250</u>

Unrelieved tax losses of approximately £592,000 remain available to offset against future taxable trading profits.

11 Government grants

	2004 £	2003 £
Received and receivable:		
At 1 January 2004	<u>75,000</u>	<u>75,000</u>
At 31 December 2004	<u>75,000</u>	<u>75,000</u>
Amortisation:		
At 1 January 2004	<u>22,750</u>	<u>9,750</u>
Credit to profit and loss account	<u>16,333</u>	<u>13,000</u>
At 31 December 2004	<u>39,083</u>	<u>22,750</u>
Net balance at 31 December 2004	<u>35,917</u>	<u>52,250</u>

12 Leasing commitments

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

	2004 £	2003 £
Operating leases which expire:		
Within 1 year	<u>—</u>	<u>13,300</u>

13 Contingent assets/liabilities

The company has a contingent liability in respect of the borrowings of Broadblue Training Limited, Broadblue Furniture Limited, Broadblue Creative Limited and Broadblue Limited. The bank holds a cross guarantee and debenture dated 12 March 2003 in respect of these borrowings.

The borrowings of the above mentioned companies at 31 December 2004 are as follows:-

Broadblue Training Limited	£82,615
Broadblue Creative Limited	£57,440
Broadblue Furniture Limited	£Nil
Broadblue Limited	£238,501

14 Transactions and balances with the directors

	2004 £	2003 £
Mr M K R Elliot		
Transactions during the year		
Purchase of goods from company	<u>180,353</u>	<u>682</u>
Year end balances		
Sales ledger balance	18,176	801
Deposit on a catamaran (within other creditors)	-	(23,000)
Directors loan account	<u>-</u>	<u>(140,000)</u>
Mr M K Elliot is this company's controlling related party by virtue of his majority shareholding in the company.		
Mr R A Dempsey		
Transactions during the year		
Purchase of goods from company	<u>-</u>	<u>670</u>
Year end balances		
Sales ledger balance	<u>-</u>	<u>386</u>

15 Related party transactions

	Debtor / (Creditor) 2004 £	Debtor / (Creditor) 2003 £	(Sales) / Purchases 2004 £	(Sales) / Purchases 2003 £
Broadblue Limited				
- trading debtor balance at year end	78,930	81,745	-	-
- loan balance at year end	83,771	33,079	-	-
- trading creditor balance at year end	(23,225)	(34,203)	-	-
- sales	-	-	(107)	(9,202)
- purchases	-	-	66,365	-
- sale of fixed assets	-	-	-	(218,188)
- management charges receivable	-	-	-	(27,007)
- management charges payable	-	-	37,500	48,000
- rental charges	<u>-</u>	<u>-</u>	<u>10,968</u>	<u>9,140</u>
Broadblue Training Limited				
- trading creditor balance at year end	-	(2,894)	-	-
- loan balance at year end	(45,000)	(45,000)	-	-
- purchases	-	-	119	12,920
- rent	<u>-</u>	<u>-</u>	<u>11,725</u>	<u>12,764</u>
Broadblue Creative Limited				
- loan balance at year end	<u>20,830</u>	<u>20,830</u>	<u>-</u>	<u>-</u>

The above companies are related parties by virtue of their common directors and shareholders.

16 Share capital

Authorised share capital:

	2004	2003
	£	£
1,000 Ordinary A shares of £1 each	1,000	1,000
100 Ordinary B shares of £1 each	100	100
	<u>1,100</u>	<u>1,100</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary A shares of £1 each	274	274	274	274
Ordinary B shares of £1 each	30	30	30	30
	<u>304</u>	<u>304</u>	<u>304</u>	<u>304</u>

17 Profit and loss account

	2004	2003
	£	£
Balance brought forward	(382,469)	(140,221)
Accumulated loss for the financial year	<u>(137,021)</u>	<u>(242,248)</u>
Balance carried forward	<u>(519,490)</u>	<u>(382,469)</u>