



# Unaudited financial Statements Broadblue Catamarans Limited

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**For the Year Ended 31 December 2006**



**Company No. 04247646**

## Company information

Company registration number	04247646
Registered office	100 Fetter Lane London EC4A 1BN
Directors	Mr M K R Elliot Mr R H Underwood Mr A I Smith Mr A Weaver
Secretary	Beach Secretaries Limited
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 2006

### Principal activities and business review

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

The directors note that the company has recorded a loss for the year of £102,443 giving a net deficit on the balance sheet of £456,038

Given the balance sheet position the directors believe that it is appropriate to prepare the accounts on a going concern basis for the following reasons

- The introduction of the 385 catamaran has been well received by the trade press and sales are improving
- In spite of a slow start, order volumes for the new 415 are improving
- A rigorous cost reduction program has been introduced to reduce overheads
- New investors have been introduced, who, by the time these accounts were signed, have injected new capital totalling £250,000
- A new line of credit has been agreed with the company's bankers totalling £125,000

### 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 2006	At 1 January 2006
Mrs C W R Elliot	Ordinary A shares	35	35
Mr M K R Elliot	Ordinary A shares	152	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 S P Davidsen	Ordinary B shares	12	12

Mr A I Smith was appointed as a director on 15 February 2007

Mr A Weaver was appointed as a director on 15 February 2007

Mrs C W R Elliot resigned as a director on 15 February 2007

Ms E R R Elliot resigned as a director on 15 February 2007

Mr P M Dean resigned as a director on 15 February 2007

Mrs J E Love resigned as a director on 15 February 2007

Mr S P Davidsen resigned as a director on 15 February 2007

**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 handwritten signature in black ink, appearing to be 'AL' followed by a flourish.

Director

28 July 2008

## 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 2006 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 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.

### **Emphasis of matter - Going concern**

The company incurred a net loss of £(102,443) during the year to 31 December 2006 and at that date, the company's current liabilities exceeded its current assets by £460,887. We understand that during the year to 31 December 2007, further trading losses were made. Despite the matters outlined in note 1 on page 11, there may be 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

13 August 2008.

## 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 January 2005).

### **Turnover**

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

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

### **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.

### **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

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

### **Foreign currencies**

Monetary 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.

### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### **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	2006 £	2005 £
Turnover		1,883,529	2,546,584
Cost of sales		1,623,394	1,994,296
Gross profit		260,135	552,288
Other operating charges	2	401,539	424,509
Other operating income	3	(45,036)	(3,656)
<b>Operating (loss)/profit</b>	4	<b>(96,368)</b>	<b>131,435</b>
Interest payable and similar charges		6,075	10,822
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(102,443)</b>	<b>120,613</b>
Tax on (loss)/profit on ordinary activities		—	—
<b>(Loss)/profit for the financial year</b>	17	<b>(102,443)</b>	<b>120,613</b>

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 accompanying accounting policies and notes form part of these financial statements

## Balance sheet

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	6	<u>4,849</u>	<u>90,627</u>
<b>Current assets</b>			
Stocks		2,420	44,772
Debtors	7	265,638	619,906
Cash at bank		<u>6</u>	<u>—</u>
		268,064	664,678
<b>Creditors: amounts falling due within one year</b>	8	<u>728,951</u>	<u>1,089,316</u>
<b>Net current liabilities</b>		<u>(460,887)</u>	<u>(424,638)</u>
<b>Total assets less current liabilities</b>		<u>(456,038)</u>	<u>(334,011)</u>
Government grants	10	<u>—</u>	<u>19,584</u>
		<u>(456,038)</u>	<u>(353,595)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	15	304	304
Share premium account	16	44,978	44,978
Profit and loss account	17	<u>(501,320)</u>	<u>(398,877)</u>
<b>Deficit</b>		<u>(456,038)</u>	<u>(353,595)</u>

The Balance sheet continues on the following page

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

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 January 2005)

These financial statements were approved by the directors and authorised for issue on 28 July 2008, and are signed on their behalf by

A handwritten signature in black ink, appearing to be 'A. Ben' or similar, written in a cursive style.

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, for the following reasons

- The introduction of the 385 catamaran has been well received by the trade press and sales are improving
- In spite of a slow start, order volumes for the new 415 are improving
- A rigorous cost reduction program has been introduced to reduce overheads
- New investors have been introduced, who, by the time these accounts were signed, have injected new capital totalling £250,000
- A new line of credit has been agreed with the company's bankers totalling £125,000

### 2 Other operating charges

	2006 £	2005 £
Administrative expenses	<u>401,539</u>	<u>424,509</u>

### 3 Other operating income

	2006 £	2005 £
Management charges receivable	45,000	–
Other operating income	<u>36</u>	<u>3,656</u>
	<u>45,036</u>	<u>3,656</u>

### 4 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting)

	2006 £	2005 £
Amortisation of government grants re fixed assets	(19,584)	(16,333)
Depreciation of owned fixed assets	4,917	19,473
Loss on disposal of fixed assets	13,626	10,221
Net loss on foreign currency translation	<u>–</u>	<u>42</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	2006 £	2005 £
Emoluments	91,246	105,731
Value of company pension contributions to money purchase schemes	4,097	1,600
	<u>95,343</u>	<u>107,331</u>

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

	2006 No	2005 No
Money purchase schemes	<u>1</u>	<u>1</u>

**6 Tangible fixed assets**

	Plant & Machinery £
Cost	
At 1 January 2006	191,456
Additions	1,218
Disposals	(181,657)
At 31 December 2006	<u>11,017</u>
Depreciation	
At 1 January 2006	100,829
Charge for the year	4,917
On disposals	(99,578)
At 31 December 2006	<u>6,168</u>
Net book value	
At 31 December 2006	<u>4,849</u>
At 31 December 2005	<u>90,627</u>

**7 Debtors**

	2006 £	2005 £
Trade debtors	237,104	283,617
Amounts owed by group undertakings	1,167	225,443
Directors' loans	-	60,080
Other debtors	27,367	50,766
	<u>265,638</u>	<u>619,906</u>

**8 Creditors: amounts falling due within one year**

	2006 £	2005 £
Overdrafts	88,671	80,004
Trade creditors	164,533	161,963
Amounts owed to related undertakings	13,847	230,646
Payments received on account	288,614	530,872
PAYE and social security	1,497	3,062
VAT	39,220	50,983
Other creditors	132,569	31,786
	<u>728,951</u>	<u>1,089,316</u>

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

**9 Deferred taxation**

Unrelieved tax losses of approximately £525,000 remain available to offset against future taxable trading profits. No provision has been accounted for in respect of this deferred tax asset.

**10 Government grants**

	2006 £	2005 £
Received and receivable:		
At 1 January 2006	75,000	75,000
At 31 December 2006	<u>75,000</u>	<u>75,000</u>
Amortisation:		
At 1 January 2006	55,416	39,083
Credit to profit and loss account	19,584	16,333
At 31 December 2006	<u>75,000</u>	<u>55,416</u>
Net balance at 31 December 2006	<u>-</u>	<u>19,584</u>

**11 Leasing commitments**

At 31 December 2006 the company had aggregate annual commitments under non-cancellable operating leases as set out below:

	2006 £	2005 £
Operating leases which expire:		
Within 1 year	-	15,000
Within 2 to 5 years	<u>15,000</u>	<u>21,250</u>

**12 Contingent assets/liabilities**

The company has a contingent liability in respect of the borrowings of Earth Sun Limited (formerly Broadblue Training Limited), Mark Elliot (Franchising) Limited (formerly Broadblue Furniture Limited), Broadblue Creative Limited and Mark Elliot Furniture Limited (formerly 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 2006 are as follows -

	2006 £	2005 £
Earth Sun Limited (formerly Broadblue Training Limited)	-	26,574
Broadblue Creative Limited	-	60,919
Mark Elliot Furniture Limited (formerly Broadblue Limited)	<u>358,186</u>	<u>112,081</u>

**13 Transactions and balances with the directors**

	2006 £	2005 £
<b>Mr M K R Elliot</b>		
Transactions during the year		
Purchase of goods from company	<u>91,052</u>	<u>56,904</u>
Year end balances		
Sales ledger balance	<u>-</u>	<u>60,080</u>

Mr M K Elliot was this company's controlling related party during the year by virtue of his majority shareholding in the company.

<b>Mr R A Dempsey</b>		
Transactions during the year		
Purchase of goods from company	<u>-</u>	<u>1,288</u>
Year end balances		
Purchase ledger balance	<u>-</u>	<u>1,288</u>

Mr R A Dempsey was a director during the year.

14 Related party transactions

	Debtor / (Creditor) 2006 £	Debtor / (Creditor) 2005 £	(Sales) / Purchases 2006 £	(Sales) / Purchases 2005 £
Mark Elliot Furniture Limited (formerly Broadblue Limited)				
- trading debtor balance at year end	1,167	82,940	-	-
- loan balance at year end	-	119,590	-	-
- trading creditor balance at year end	(11,180)	(185,646)	-	-
- sales	-	-	-	(254)
- purchases	-	-	70,472	162,420
- sale of fixed assets	-	-	(68,453)	-
- management charges payable	-	-	60,000	36,500
- intercompany write off	-	-	5,000	-
- rental charges	-	-	-	3,656
Earth Sun Limited (formerly Broadblue Training Limited)				
- trading creditor balance at year end	(2,667)	-	-	-
- loan balance at year end	-	(45,000)	-	-
- purchases	-	-	5,443	3,051
- intercompany write off	-	-	(45,000)	-
Broadblue Creative Limited				
- intercompany write off	-	-	22,913	-
- loan balance at year end	-	22,913	-	-

The above companies are related parties by virtue of their common directors and shareholders. The loan amounting to £45,000 owed to Earth Sun Limited was written off during the year.

15 Share capital

Authorised share capital

	2006 £	2005 £
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

	2006 No	£	2005 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>



16 Share premium account

There was no movement on the share premium account during the financial year

17 Profit and loss account

	2006 £	2005 £
Balance brought forward	(398,877)	(519,490)
(Loss)/profit for the financial year	(102,443)	120,613
Balance carried forward	<u>(501,320)</u>	<u>(398,877)</u>

18 Post balance sheet events

A settlement was agreed with Goodchild Marine Services Limited on 11 Jan 2007 for the outstanding amounts owed to Goodchild Marine Services Limited for intellectual property rights assigned to Broadblue Catamarans Limited. The final settlement amounted to £202,723, with an initial payment followed by monthly instalments to be paid over 30 months from 1 February 2007.

19 Controlling related party

On 15 February 2007 Mr A I Smith and Mr A Weaver purchased Mr M K R Elliot's shareholding in the company. As a result Mr A I Smith and Mr A Weaver are now this company's controlling related parties.