



Financial statements Boat International Group Limited

For the Year Ended 31 December 2009

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Company No: 6026344

Company information

Company registration number

6026344

Registered office

First Floor
41-47 Hartfield Road
Wimbledon
London
SW19 3RQ
United Kingdom

Directors

D Joseph
A C Harris
I Grant
R J Green

Secretary

D Joseph

Auditors

Grant Thornton UK LLP
Chartered Accountants
Enterprise House
115 Edmund Street
Birmingham
B3 2HJ

Bankers

Lloyds Bank plc
10 Gresham Street
London
EC2V 7AE

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Report of the directors

The directors present their report and the audited financial statements for the year ending 31 December 2009

Principal activities

The principal activities of the group and its subsidiary undertakings are the provision of media and marketing services. There have not been any significant changes in the group's principal activities in the year under review and the directors are not aware at the date of this report of any likely major changes in the group's activities in the next year.

Business review and future developments

Despite the difficult economic environment the outlook for the group is encouraging.

The directors were pleased to complete a refinancing of the group in October 2010 and have received continued support from its shareholders and bank such that the group has been placed on a firm financial footing which will allow it to take advantage of further growth opportunities.

Results and dividends

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend.

Key performance indicators

Key performance indicator	2009	2008
Turnover growth	(19.3)%	19.0%
Gross profit margin (before exceptional items)	38.3%	39.6%
Administrative expenses (before exceptional items) as a % of turnover	41.5%	27.6%
Staff turnover	15.3%	11.0%

Report of the directors (continued)

Principal risks and uncertainties facing the group

Whilst the business is relatively well placed to withstand the highs and lows of a normal economic cycle, it is not immune from the unique and synchronised global economic downturn currently being experienced. The directors believe that 2010 will provide a challenging trading environment which will temporarily halt the growth of the business as marketing budgets are dramatically reduced. Beyond this, however, the outlook for the business is strong due to its market leading position, its new product development and its evolving digital platform.

Like all businesses, however, the group is at risk from competitive activity and protects itself from this by ensuring its products are of a high quality and of great relevance to its key constituencies.

As a result of the economic downturn the group has successfully renegotiated its banking facilities in order to provide sufficient headroom during the current economic situation and to provide funds for growth as the market recovers.

Financial risk management objectives and policies

The group's principal financial instruments comprise bank loans and overdrafts, loan notes, PIK notes, preference shares and sterling and foreign currency cash balances. The main purpose of these financial instruments is to fund the group's operations. The group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The group's policies for managing these risks are summarised below.

Foreign currency risk

The group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The main foreign currencies in which the group operates are the Euro and the US dollar and during the year the business has sold forward prudent amounts of each of these currencies in order to mitigate against foreign currency risk.

Credit risk

The group's principal financial assets are cash and trade debtors, which represent the group's main exposure to credit risk.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

Cash balances are held with reputable financial institutions and the exposure to credit risk on these balances is not considered significant.

Report of the directors (continued)

Credit risk (continued)

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Liquidity risk

The group's policy is to ensure continuity of funding through arranging funding for operations via medium-term loans and additional revolving credit facilities to aid short-term flexibility (see page 4)

Cash flow interest rate risk

The group's exposure to interest rate risk relates primarily to the group's bank loans and overdrafts which bear interest at a variable rate. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the group

Environment

The group's policy with regard to the environment is to ensure that the directors understand and effectively manage the actual and potential environmental impact of our activities. The group's operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the group has not incurred any fines or penalties or been investigated for any breach of environmental regulations

Employees

The quality and commitment of our people have played a major role in our business success. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of our product lines and the flexibility they have shown in adapting to changing business requirements and new ways of working. Employees' performance is aligned to group goals through an annual performance review process that is carried out with all employees

Directors

The directors who served during the year, and subsequently, are set out below

D Joseph	
A C Harris	
R J Green	
I Grant	(appointed 27 May 2010)
Sir TDG Arculus	(resigned 29 July 2010)
F R Davidson	(resigned 11 January 2010)

Report of the directors (continued)

Going concern and post balance sheet events

The group recorded a loss for the year of £13,216,905, after exceptional items of £8,325,377. At 31 December 2009 the group had net current liabilities of £12,099,468, and a deficit to equity shareholders' funds of £17,494,680.

The group's bank loans are subject to financial covenants, certain of which were breached at 31 December 2009. As a result of the breach, all amounts due to the bank became repayable on demand and so have been classified as falling due within one year in these financial statements.

On 13 October 2010 the group renegotiated its banking facilities, converted £17,234,853 of loan note principal and £9,431,670 of loan note accrued interest to equity and received a cash injection of £1,000,000 from its main investor. In addition the company issued new shares to management. These changes are summarised below:

- the banking facilities now comprise senior loans of £7,712,874, a mezzanine loan of £3,576,065 and a revolving credit facility of £1,500,000
- the banking facilities have been renegotiated for a period of 3 years to 31 December 2013 and repayments on the senior loans have been rescheduled and extend to 31 December 2013. The revolving credit facility is repayable on 31 December 2013.
- interest rates on the senior facilities loans and revolving credit facility were increased to between 3.5% and 4% over LIBOR.
- the interest rate on the mezzanine facility was increased to 11.25% above LIBOR, being 6.25% above LIBOR to be paid in cash and 5% Payment In Kind ("PIK"). The loan is repayable in two instalments on 30 June 2015 and 31 December 2015 and is secured over the assets of the group.
- Investor loan notes and accrued interest of £17,073,871 and £9,288,261 respectively were converted to 4 C Ordinary 1p Shares.
- Management loan notes and accrued interest of £160,982 and £143,409 respectively were converted to 6 F Ordinary 1p shares.
- a further £40,000 of Management loan notes were repaid in cash.
- the Management Ordinary, Preference and B Ordinary £1 shares were converted to F Ordinary 1p shares on a one for one basis.
- management subscribed at par for 118,750 D Ordinary 1p shares, 230,772 E Ordinary 1p shares and 260,000 F Ordinary 1p shares paid in cash.
- the Investors also subscribed for £995,000 new loan notes and 500,000 1p C ordinary shares paid in cash.

Report of the directors (continued)

Going concern and post balance sheet events (continued)

An unaudited pro-forma consolidated balance sheet has been prepared below which shows what the financial position of the group would have been at 31 December 2009 if the covenant breach had not occurred and the restructuring had taken place as at that date, and on the basis of the loan note interest accrued at that time

	Unaudited 2009	2008 Restated
	£'000	£'000
Fixed assets	17,239	20,807
Current assets	3,935	6,418
Creditors: amounts falling due within one year	(2,827)	(4,023)
Net current assets	1,108	2,395
Total assets less current liabilities	18,347	23,202
Creditors amounts falling due after more than one year	(13,369)	(27,392)
Net assets/(liabilities)	4,978	(4,190)
Called up share capital	22	4
Share premium account	22,385	960
Profit and loss account	(17,429)	(5,154)
Equity shareholders' funds/ (deficit to equity shareholders' funds)	4,978	(4,190)

The directors have prepared cash flow forecasts for the period ending 31 December 2013. The forecasts demonstrate that the group is able to meet its liabilities as they fall due over the next twelve months and therefore the financial statements have been prepared on a going concern basis. No further covenant breaches are forecast during the period ending 31 December 2013.

The directors note that the classification of the debt within current liabilities on the balance sheet at page 16 arises purely as a result of the strict application of FRS25 following the covenant breach at 31 December 2009.

Report of the directors (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK 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 directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the directors (continued)

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006

Approval

The report of the directors was approved by the Board on 8 November 2010 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'A C Harris', written over a horizontal line.

A C Harris
Director

Company No 6026344

Report of the independent auditor to the members of Boat International Group Limited

We have audited the financial statements of Boat International Group Limited for the year ended 31 December 2009 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Report of the independent auditor to the members of Boat International Group Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date *11 November 2010*

Principal accounting policies

Basis of accounting

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

The principal accounting policies of the group are set out below

Going concern

The group recorded a loss for the year of £13,216,905, after exceptional items of £8,325,377. At 31 December 2009 the group had net current liabilities of £12,099,468, and a deficit to equity shareholders' funds of £17,494,680.

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Principal accounting policies (continued)

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings after eliminating intra-group transactions and balances, together with the group's share of the net assets and results of joint ventures. The results of subsidiary undertakings acquired are included in the consolidated results from the date of acquisition, under the acquisition method of accounting.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment. Dividends received and receivable are credited to the company's profit and loss account.

No profit and loss account is presented for Boat International Group Limited as permitted by Section 408 of the Companies Act 2006. The company's loss for the financial year was £3,563,636 (2008: loss of £3,409,760).

Investments in joint ventures

Investments in joint ventures are carried in the consolidated balance sheet at the group's share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition, net of amortisation. The investor's share of the results is included within the consolidated profit and loss.

The profit and loss account also shows the group's share of the joint venture's turnover. The balance sheet shows the share in gross assets and gross liabilities, equating to the net investment in the joint venture.

When the group's share of losses in a joint venture equals or exceeds its interest in the undertaking, the group continues to recognise those losses until an irrevocable event occurs that marks the investor's irreversible withdrawal from its investee as a joint venture.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of the goods and services provided during the normal course of business which are recognised on the despatch of goods or when the relevant services are provided.

Intangible assets

Goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition. Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

Other intangible assets

Titles acquired and intellectual property rights are included at cost and amortised on a straight-line basis over their useful economic lives. The carrying values of other intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Principal accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Provision is made for depreciation on all tangible fixed assets, at rates calculated to write off the cost less residual value of each asset over its expected useful life at the following rates:

Leasehold property	-	20% per annum on cost
Computer equipment	-	50% per annum on cost
Plant and machinery	-	25% per annum on cost
Fixtures and fittings	-	25% per annum on cost
Motor vehicles	-	25% per annum on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the group are treated as operating leases. Rentals under operating leases are charged on a straight-line basis over the period of the lease.

Operating lease incentives are recognised on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review when market rentals will be payable.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow-moving items. Costs include all direct expenditure.

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, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- 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.

Principal accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except where the transaction is to be settled using a contracted rate, in which case that rate is used. Where a trading transaction is covered by a related or matching forward contract, the rate in that contract is used to translate the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, except where there are related or matching forward contracts, in which case the rate in that contract is used.

The financial statements of foreign subsidiaries are translated at the closing exchange rate at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries is taken directly to reserves through the statement of total recognised gains and losses.

Pension costs

The group operates a defined contribution scheme in respect of its employees. The assets of the scheme are held separately from those of the group. The pension costs charged against operating profits represent the amount of the contributions payable to the scheme in respect of the year.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Consolidated profit and loss account

	Note	2009 Before exceptional items £	2009 Exceptional items (note 2) £	2009 Total £	2008 £
Turnover					
- continuing operations	1	10,065,057	-	10,065,057	14,242,577
- acquisitions		1,262,994	-	1,262,994	-
		<u>11,328,051</u>	<u>-</u>	<u>11,328,051</u>	<u>14,242,577</u>
Less share of joint venture		(274,441)	-	(274,441)	(544,322)
		<u>11,053,610</u>	<u>-</u>	<u>11,053,610</u>	<u>13,698,255</u>
Cost of sales		(6,822,214)	(491,466)	(7,313,680)	(8,273,641)
		<u>4,231,396</u>	<u>(491,466)</u>	<u>3,739,930</u>	<u>5,424,614</u>
Gross profit					
Distribution costs		(729,760)	-	(729,760)	(786,322)
Administrative expenses		(4,592,371)	(7,833,911)	(12,426,282)	(3,778,515)
		<u>(5,322,131)</u>	<u>(7,833,911)</u>	<u>(13,155,243)</u>	<u>(4,564,837)</u>
Operating (loss)/profit	3				
- continuing operations		(1,627,802)	(8,325,377)	(9,953,179)	859,777
- acquisitions		537,067	-	537,067	-
		<u>(1,090,735)</u>	<u>(8,325,377)</u>	<u>(9,416,112)</u>	<u>859,777</u>
Share of joint venture operating (loss)/profit		(170,132)	-	(170,132)	138,445
		<u>(1,260,867)</u>	<u>(8,325,377)</u>	<u>(9,586,244)</u>	<u>998,222</u>
(Loss)/profit on ordinary activities before interest					
Interest receivable and similar income	6	-	-	-	17,476
Interest payable and similar charges	7	(3,950,953)	-	(3,950,953)	(3,367,935)
		<u>(3,950,953)</u>	<u>-</u>	<u>(3,950,953)</u>	<u>(3,350,459)</u>
Loss on ordinary activities before taxation					
Taxation	8	320,292	-	320,292	(369,455)
		<u>320,292</u>	<u>-</u>	<u>320,292</u>	<u>(369,455)</u>
Loss for the year	18	<u>(4,891,528)</u>	<u>(8,325,377)</u>	<u>(13,216,905)</u>	<u>(2,721,692)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

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

Consolidated statement of total recognised gains and losses

	2009	2008
	£	£
Loss for the year	(13,216,905)	(2,721,692)
Exchange difference on foreign equity investments	(88,028)	73,859
Total recognised losses	(13,304,933)	(2,647,833)
Prior year adjustment	-	(1,699,600)
Total losses recognised since the last financial statements	(13,304,933)	(4,347,433)

The financial statements for the year ended 31 December 2008 included a prior year adjustment to take account of an accrual of £1,699,600 at 1 January 2008 in respect of interest payable on loan notes at that date

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

Consolidated balance sheet

	Note	2009 £	2008 Restated £
Fixed assets			
Intangible assets	9	16,718,354	20,238,420
Tangible assets	10	528,431	405,906
Investment in joint ventures			
- Share of gross assets		193,987	387,980
- Share of gross liabilities		(201,650)	(225,511)
		<hr/>	<hr/>
		17,239,122	20,806,795
		<hr/>	<hr/>
Current assets			
Stocks	12	293,355	723,626
Debtors	13	2,026,705	5,124,164
Deferred tax asset	8	225,878	80,411
Cash at bank and in hand		430,038	489,597
		<hr/>	<hr/>
		2,975,976	6,417,798
Creditors' amounts falling due within one year	14	(15,075,444)	(4,022,987)
		<hr/>	<hr/>
Net current (liabilities)/assets		(12,099,468)	2,394,811
		<hr/>	<hr/>
Total assets less current liabilities		5,139,654	23,201,606
Creditors' amounts falling due after more than one year	15	(22,634,334)	(27,391,353)
		<hr/>	<hr/>
Net liabilities		(17,494,680)	(4,189,747)
		<hr/>	<hr/>
Called up share capital	17	3,763	3,763
Share premium account	18	960,300	960,300
Profit and loss account	18	(18,458,743)	(5,153,810)
		<hr/>	<hr/>
Deficit to equity shareholders' funds	19	(17,494,680)	(4,189,747)
		<hr/>	<hr/>

The financial statements were approved by the Board on 8 November 2010 and signed on its behalf by



A C Harris
Director

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

Company balance sheet

	Note	2009 £	2008 £
Fixed assets			
Investments	11	3,086,053	3,086,053
Current assets			
Debtors due within one year	13	22,971,471	22,965,399
Debtors due after more than one year	13	4,967,158	-
		27,938,629	22,965,399
Creditors: amounts falling due within one year	14	(17,690,529)	(4,396,644)
Net current assets		10,248,100	18,568,755
Total assets less current liabilities		13,334,153	21,654,808
Creditors: amounts falling due after more than one year	15	(22,634,334)	(27,391,353)
Net liabilities		(9,300,181)	(5,736,545)
Called up share capital	17	3,763	3,763
Share premium account		960,300	960,300
Profit and loss account		(10,264,244)	(6,700,608)
Deficit to equity shareholders' funds	19	(9,300,181)	(5,736,545)

The financial statements were approved by the Board on 8 November 2010 and signed on its behalf by



A C Harris
Director

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

Consolidated cash flow statement

	Note	2009 £	2008 Restated £
Net cash inflow from operating activities	20	1,709,030	2,109,918
Returns on investment and servicing of finance			
Interest received		-	17,476
Interest paid		(660,838)	(1,150,313)
Net cash outflow from returns on investment and servicing of finance		(660,838)	(1,132,837)
Taxation		(78,799)	(221,443)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(280,873)	(414,221)
Purchase of intangible fixed assets		(4,851,400)	(327,282)
Net cash outflow from capital expenditure and financial investment		(5,132,273)	(741,503)
Net cash (outflow)/ inflow before financing		(4,162,880)	14,135
Financing			
Issue of shares		-	263
New bank loans and loan notes		5,225,000	-
Repayments on senior financing		(1,125,000)	(735,000)
Net cash inflow/(outflow) from financing		4,100,000	(734,737)
Net cash flow for the year	21	(62,880)	(720,602)

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

Notes to the financial statements (continued)

1 Turnover

Turnover split by geographical market (by destination) is as follows

	2009 £	2008 £
Continuing operations		
United Kingdom	2,877,900	4,385,279
Rest of Europe	4,697,628	6,013,222
USA	1,724,021	2,880,190
Other	491,067	419,564
	<u>9,790,716</u>	<u>13,698,255</u>
Acquisitions - USA	1,262,994	-
Joint venture turnover – others	274,441	544,322
	<u>11,328,051</u>	<u>14,242,577</u>

2 Exceptional operating items

Exceptional operating items include the following

	2009 £
Stock provision	491,466
Impairment of intangible assets (note 9)	7,021,528
Bad debts written off	250,000
Provision against bad debts	562,383
	<u>8,325,377</u>

Notes to the financial statements (continued)

3 Operating (loss)/profit

Operating (loss)/ profit is arrived at after charging/(crediting)

	2009 £	2008 £
Depreciation	151,755	116,433
Amortisation	1,297,938	1,173,450
Impairment of intangible assets	7,021,528	790,327
Loss on disposal of tangible fixed assets	6,593	-
Loss on disposal of intangible fixed assets	52,000	-
Operating lease charges – land & buildings	415,271	30,000
Foreign exchange losses/(gains)	685,194	(28,348)
Fees payable to the company's auditor for the audit of the financial statements	4,000	3,000
Fees payable to the company's auditor for other services		
- audit of the financial statements of subsidiary undertakings pursuant to legislation	28,000	25,500
- other services relating to taxation compliance and advice	47,190	36,750
- corporate finance advisory services	70,000	-
	<u>360,737</u>	<u>320,547</u>

4 Directors' emoluments

Remuneration was paid in respect of directors of the company as follows

	2009 £	2008 £
Emoluments	360,737	320,547
	<u>360,737</u>	<u>320,547</u>

There were 2 (2008: 2) directors accruing benefits under money purchase pension schemes during the year

The emoluments of the highest paid director were £200,278 (2008: £200,278)

Notes to the financial statements (continued)

5 Staff costs

Staff costs, excluding costs relating to directors, were as follows

	2009	2008
	£	£
Wages and salaries	2,889,727	3,225,873
Social security costs	332,780	300,335
Pension costs	43,979	38,504
	<u>3,266,486</u>	<u>3,564,712</u>

At 31 December 2009, £8,501 (2008 £3,409) of pension contributions remained outstanding. Outstanding contributions are included within accruals and deferred income (note 14).

The average number of employees during the period were as follows

	2009	2008
	No	No
Editorial	23	25
Advertising	19	22
Corporate	8	9
Events	3	4
Digital	4	3
Marketing	1	2
	<u>58</u>	<u>65</u>

6 Other interest receivable and similar income

	2009	2008
	£	£
Bank interest receivable	-	17,476
	<u>-</u>	<u>17,476</u>

7 Interest payable and similar charges

	2009	2008
	£	£
Bank interest payable	1,227,095	1,347,069
Interest payable on loan notes	2,551,831	1,843,199
Amortisation of loan arrangement costs	171,667	177,667
	<u>3,950,593</u>	<u>3,367,935</u>

Notes to the financial statements (continued)

8 Taxation

The tax (credit)/charge represents

	2009 £	2008 £
United Kingdom corporation tax at 28% (2008 28%)	(71,566)	55,668
Adjustment in respect of prior years	(109,744)	268,444
Total United Kingdom current tax	(181,310)	324,112
Overseas taxation	6,485	43,870
Total current tax	(174,825)	367,982
Net reversal of timing differences	(153,734)	(211)
Adjustment in respect of prior year	8,267	1,684
Total deferred tax	(145,467)	1,473
Tax on loss on ordinary activities	(320,292)	369,455

The current tax assessed for the period differs from the standard rate of tax as follows

	2009 £	2008 £
Loss on ordinary activities before tax	(13,537,197)	(2,352,237)
Loss on ordinary activities multiplied by standard rate of tax in the UK of 28% (2008 28%)	(3,790,415)	(658,626)
Adjustment in respect of prior years	(109,744)	268,444
Expenses not deductible for tax purposes	3,169,083	783,820
Accelerated capital allowances	(15,840)	(14,830)
Short term timing differences	(56,608)	15,041
Utilisation of losses	(983)	-
Losses carried forward	616,511	-
Difference in overseas tax rate	15,157	(26,839)
Effect of changes in tax rates	(1,986)	972
	(174,825)	367,982

Notes to the financial statements (continued)

8 Taxation (continued)

Deferred tax assets comprise

	Amounts recognised	
	2009	2008
	£	£
Capital allowances	226,182	23,803
Other short term timing differences	(304)	56,608
	<u>225,878</u>	<u>80,411</u>

Movements in deferred tax assets were as follows

	2009	2008
	£	£
At 1 January 2009	80,411	81,884
Adjustment to prior year	(8,267)	(1,684)
Deferred tax credit	153,734	211
	<u>225,878</u>	<u>80,411</u>

There is an unprovided deferred tax asset of £530,801 (2008 £711,000) at the year end, relating to unrelieved losses on financing activities. This can be relived in the future against non-trading income in the subsidiary holding companies. This deferred tax asset has not been recognised due to uncertainty as to when this non-trading income will arise.

Notes to the financial statements (continued)

9 Intangible fixed assets

Group	Goodwill on consolid- -ation £	Goodwill on joint venture £	Titles acquired £	Other intangibles £	Total £
Cost					
At 1 January 2009	22,156,880	25,326	52,000	411,795	22,646,001
Additions	-	-	4,851,400	-	4,851,400
Disposals	-	-	(52,000)	-	(52,000)
At 31 December 2009	22,156,880	25,326	4,851,400	411,795	27,445,401
Amortisation					
At 1 January 2009	2,387,242	2,532	-	17,807	2,407,581
Charge for the year	1,107,844	1,266	172,463	16,365	1,297,938
Impairment charge	7,000,000	21,528	-	-	7,021,528
At 31 December 2009	10,495,086	25,326	172,463	34,172	10,727,047
Net book value					
At 31 December 2009	11,661,794	-	4,678,937	377,623	16,718,354
At 31 December 2008	19,769,638	22,794	52,000	393,988	20,238,420

On 4 September 2009 the group acquired the trade of the Showboats International publication for cash consideration of £4,500,000. The consideration, together with the direct costs of acquisition of £351,400 have been capitalised within titles acquired and is being amortised over its estimated useful economic life of 10 years.

During the year the group's intangible fixed assets were reviewed for impairment. Discounted cash flow forecasts were prepared based on the group's current results and assuming no growth in turnover. The cash flow forecasts were discounted at 14%, which represents the group's weighted average cost of capital. An impairment charge of £7,000,000 has been recognised against goodwill on consolidation following this impairment review. An impairment charge of £21,528 has been recognised against the goodwill on joint venture.

Notes to the financial statements (continued)

10 Tangible assets

Group	Leasehold property £	Computer equipment £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 January 2009	89,728	231,416	98,878	134,388	44,204	598,614
Additions	-	191,234	21,205	64,365	4,069	280,873
Transfers	-	-	(3,168)	3,168	-	-
Disposals	-	(3,260)	(40,177)	(6,318)	-	(49,755)
At 31 December 2009	89,728	419,390	76,738	195,603	48,273	829,732
Depreciation						
At 1 January 2009	10,676	27,220	62,980	74,741	17,091	192,708
Charge for the year	16,289	75,202	17,586	31,771	10,907	151,755
Transfers	-	-	(3,168)	3,168	-	-
Disposals	-	(1,151)	(36,479)	(5,532)	-	(43,162)
At 31 December 2009	26,965	101,271	40,919	104,148	27,998	301,301
Net book value						
At 31 December 2009	62,763	318,119	35,819	91,455	20,275	528,431
At 31 December 2008	79,052	204,196	35,898	59,647	27,113	405,906

Notes to the financial statements (continued)

11 Fixed asset investments

Company	Shares in Group undertakings £
Cost and net book value	
At 31 December 2008 and 31 December 2009	3,086,053

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

Company	Country of registration or incorporation	Principal activity	Shares held Class	%
Boat International Holdings Limited	England and Wales	Holding company	Ordinary	100

The company indirectly holds more than 20% of the share capital of

Boat International Holdings 1 Limited	England and Wales	Holding company	Ordinary	100
Boat International Holdings 2 Limited	England and Wales	Holding company	Ordinary	100
BIP1 Limited	England and Wales	Holding company	Ordinary	100
BIP2 Limited	England and Wales	Holding company	Ordinary	100
Boat International Publications Limited	England and Wales	Holding company	Ordinary	100
Boat International Media Limited	England and Wales	Publishing	Ordinary	100
Super Yacht Media Limited	England and Wales	Publishing	Ordinary	100
Edimer SAS	France	Publishing	Ordinary	100
Boat International Media Inc (formerly Boat International USA Inc)	USA	Publishing	Ordinary	100
Linkfern Limited	Cyprus	Publishing	Ordinary	50
Edisea USA Inc	USA	Publishing	Ordinary	100

Notes to the financial statements (continued)

12 Stocks

	2009	2008
Group	£	£
Finished goods and goods for resale	293,355	723,626

The replacement cost of the above stocks would not be significantly different from the values stated

13 Debtors

Amounts due within one year

	Group		Company	
	2009	2008	2009	2008
		Restated		Restated
	£	£	£	£
Trade debtors (note 23)	1,441,031	4,000,705	-	-
Amounts due from group undertakings	-	-	22,965,399	22,965,399
Amounts due from joint venture	-	292,867	-	-
Other debtors	122,368	142,728	6,072	-
Prepayments and accrued income	463,306	687,864	-	-
	<u>2,026,705</u>	<u>5,124,164</u>	<u>22,971,471</u>	<u>22,965,399</u>

Amounts due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Amounts due from group undertakings	-	-	4,967,158	-

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	Restated £	£	£
Bank loans and overdrafts (note 16)	13,202,611	1,013,132	13,202,612	1,013,132
Trade creditors	1,007,268	1,408,873	-	-
Amounts owed to group undertakings	-	-	4,487,917	2,838,666
Amounts owed to joint ventures	-	5,940	-	-
Corporation tax	87,553	341,177	-	-
Other taxation and social security	258,008	163,411	-	(6,071)
Other creditors	37,961	570,652	-	550,917
Accruals and deferred income	482,043	519,802	-	-
	<u>15,075,444</u>	<u>4,022,987</u>	<u>17,690,529</u>	<u>4,396,644</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Loan notes (note 16)	16,364,854	11,864,854	16,364,854	11,864,854
Bank loans (note 16)	-	11,917,500	-	11,917,500
Preference shares	6,200	6,200	6,200	6,200
PIK notes (note 16)	6,263,280	3,602,799	6,263,280	3,602,799
	<u>22,634,334</u>	<u>27,391,353</u>	<u>22,634,334</u>	<u>27,391,353</u>

The company has 620,000 preference shares of £0.01 each. These were allotted on 15 December 2006 for £1 each and rank pari passu with the ordinary shares. The preference shareholders are entitled to a cumulative participating net cash dividend in respect of each year ending on or after 31 December 2011 of 20% of the adjusted profits for the financial year, subject to the availability of sufficient distributable reserves.

Notes to the financial statements (continued)

16

Borrowings

	2009 £	2008 £
Amounts falling due.		
in one year or less or on demand		
- bank overdrafts	313,120	309,799
- bank loans	12,889,491	565,201
in one to two years	-	2,117,500
in two to five years	-	6,800,000
in more than five years	23,658,132	19,497,651
	<u>36,860,743</u>	<u>29,290,151</u>
less issue costs	(1,029,998)	(1,201,665)
less included in creditors amounts falling due within one year	(13,202,611)	(703,333)
	<u>22,628,134</u>	<u>27,385,153</u>

Borrowings include the bank loans, bank overdrafts, loan notes and PIK notes. Bank loans and overdrafts include senior facilities of £8,667,500, a mezzanine facility of £3,496,992 and a revolving loan facility of £725,000.

Interest was charged on the senior facility during the year at a rate of between 1.5% and 2.25% above LIBOR, dependant upon covenant performance. The loan was repayable in three instalments per annum and commencing on 31 March 2009 and concluding on 31 December 2013 and is secured over the assets of the group.

Interest was charged on the mezzanine facility during the year at 10% above LIBOR. The loan is repayable in two instalments on 30 June 2015 and 31 December 2015 and is secured over the assets of the group.

Interest was charged on the revolving loan facility during the year at a rate of 3% above LIBOR. The loan is repayable on demand and is secured over the assets of the group.

At 31 December 2009, certain financial covenants in respect of bank loans were breached. At this date the bank loans technically became repayable on demand and therefore all such balances have been classified as falling due within one year within these financial statements in accordance with FRS25. Subsequent to the year-end the bank has waived the covenant breach (note 27) and confirmed that the facilities remain available. See the Going Concern note within Accounting Policies for further information on this refinancing.

The loan notes are variable rate unsecured loan stock due in 2016, £17,073,870 of the loan notes are managed by August Equity LLP and the remainder are with directors, £68,977 with Mr A Harris, £45,876 with Mr D Joseph and £206,129 with Sir David Arculus.

The loan notes are shown net of £1,029,998 (2008: £1,201,665) of financing costs which are being amortised over 9 years.

PIK (payment in kind) notes have been issued in respect of interest accrued on loan notes. The PIK notes are unsecured and are redeemable in 2016.

Notes to the financial statements (continued)

17

Share capital

	2009 £	2008 £
Authorised		
350,000 ordinary shares of £0.01 each	3,500	3,500
30,000 B ordinary shares of £0.01 each	300	300
	<hr/>	<hr/>
Allotted, called up and fully paid		
350,000 ordinary shares of £0.01 each	3,500	3,500
26,250 B ordinary shares of £0.01 each	263	263
	<hr/>	<hr/>
	3,763	3,763
	<hr/>	<hr/>

The B ordinary shares carry no voting entitlement and shareholders are not entitled to attend any annual general meeting of the company. On a winding up the holders of B ordinary shares rank *pari passu* with the holders of ordinary shares and preference shares.

Post balance sheet events

In October 2010 the Investor loan notes and accrued interest were converted to 2 C Ordinary 1p Shares and certain Management loan notes and accrued interest of £160,982 and £143,409 respectively were converted to 6 F Ordinary 1p shares.

The Management Ordinary, Preference and B Ordinary £1 shares were converted to F Ordinary 1p shares on a one for one basis.

Management then subscribed at par for 118,750 D Ordinary 1p shares, 230,772 E Ordinary 1p shares and 610,000 F Ordinary 1p shares paid in cash.

The Investors also subscribed for 500,000 1p C ordinary shares in cash.

18

Reserves Group

	2009		2008	
	Share premium	Profit and loss account	Share premium	Profit and loss account
	£	£	£	£
At 1 January as previously reported	960,300	(5,153,810)	960,300	(806,377)
Prior year adjustment	-	-	-	(1,699,600)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January as restated	960,300	(5,153,810)	960,300	(2,505,977)
Loss for the period	-	(13,216,905)	-	(2,721,692)
Foreign exchange differences	-	(88,028)	-	73,859
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	960,300	(18,458,743)	960,300	(5,153,810)
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements (continued)

18 Reserves (continued)

Company	2009		2008	
	Share premium	Profit and loss account	Share premium	Profit and loss account
	£	£	£	£
At 1 January as previously reported	960,300	(6,700,608)	960,300	(1,591,248)
Prior year adjustment	-	-	-	(1,699,600)
At 1 January as restated	960,300	(6,700,608)	960,300	(3,290,848)
Loss for the period	-	(3,563,636)	-	(3,409,760)
At 31 December	<u>960,300</u>	<u>(10,264,244)</u>	<u>960,300</u>	<u>(6,700,608)</u>

19 Reconciliation of movement in deficit to equity shareholders' funds

	Group £	Company £
Deficit to equity shareholders' funds at 1 January	(4,189,747)	(5,736,545)
Loss for the financial period	(13,216,905)	(3,563,636)
Foreign exchange differences	(88,028)	-
Deficit to equity shareholders' funds at 31 December	<u>(17,494,680)</u>	<u>(9,300,181)</u>

20 Reconciliation of operating loss to operating cash flow

	2009 £	2008 Restated £
Operating (loss)/profit	(9,586,244)	998,222
Depreciation of tangible fixed assets	151,755	116,433
Amortisation of intangible fixed assets	1,297,938	1,173,450
Impairment of intangible fixed assets	7,021,528	790,327
Loss on disposal of tangible fixed assets	6,593	-
Loss on disposal of intangible fixed assets	52,000	-
Decrease/(increase) in stocks	430,271	(61,971)
Decrease/(increase) in debtors	3,097,457	(1,501,895)
(Decrease)/increase in creditors	(932,400)	661,345
Share of operating loss/(profit) in joint venture	170,132	(139,852)
Foreign exchange differences	-	73,859
	<u>1,709,030</u>	<u>2,109,918</u>

Notes to the financial statements (continued)

21 Reconciliation of net cash flow to movement in net debt

	2009 £	2008 Restated £
Decrease in cash in the year	(62,880)	(720,602)
Change in debt financing	(7,429,140)	(3,039,466)
Movement in net debt in the period	(7,492,020)	(3,760,068)
Net debt at 1 January	(27,914,888)	(24,154,820)
Net debt at 31 December	(35,406,908)	(27,914,888)

22 Analysis of changes in net debt

	At 1 January 2009 Restated £	Cash flow £	Non-cash movements £	At 31 December 2009 £
Cash	489,597	(59,559)	-	430,038
Bank overdraft	(309,799)	(3,321)	-	(313,120)
	179,798	(62,880)	-	116,918
Debt due within one year				
Bank loans	(703,333)	400,000	(12,586,159)	(12,889,492)
Debt due after more than one year				
Loan notes	(11,864,854)	(4,500,000)	-	(16,364,854)
Bank loans	(11,917,500)	-	11,917,500	-
Preference shares	(6,200)	-	-	(6,200)
PIK notes	(3,602,799)	-	(2,660,481)	(6,263,280)
	(27,391,353)	(4,500,000)	9,257,019	(22,634,334)
	(27,914,888)	(4,162,880)	(3,329,140)	(35,406,908)

Non-cash movements represent the reclassification of bank loans due after more than one year to debt due within one year and accrued interest on bank loans and PIK notes

23 Prior year adjustment

The balance sheet as at 31 December 2008 has been restated to correct an error relating to the cut-off of cash receipts and to offset bank overdrafts against cash balances in accordance with the terms of banking agreements. The impact of these adjustments at 31 December 2009 is an increase in trade debtors of £205,000, a decrease in cash at bank of £464,706 and a decrease in creditors falling due within one year of £259,706. There is no impact on net assets at 31 December 2008 or on the loss for the year then ended.

Notes to the financial statements (continued)

24 Contingent liabilities

The bank holds a composite guarantee between BIP1 Limited and BIP2 Limited, Boat International Publications Limited, Boat International Media Limited, Boat International Holdings 1 Limited, Boat International Holdings 2 Limited, Boat International Holdings Limited and Boat International Group Limited. The total indebtedness covered by the cross guarantee at 31 December 2009 amounts to £14,000,000. The bank also have a fixed and floating charge over all the current and future assets of the company.

25 Operating lease commitments

The group's commitments under operating leases for the next year are for leases expiring

	2009			2008		
	Land & Buildings	Other	Total	Land & Buildings	Other	Total
	£	£	£	£	£	£
Within 2-5 years	156,100	-	156,100	156,100	-	156,100

The company has no operating lease commitments (2008 £nil)

26 Related party transactions

Related party transactions (except those with Linkfern Limited) with group members are not disclosed as 100% of the voting rights are controlled within the group and consolidated accounts are publicly available.

During the year ended 31 December 2009, the group recharged expenses of £79,018 to Linkfern Limited and amounts due to the group from Linkfern Limited of £138,216 were provided for.

During the year the group was invoiced £144,156 (2008 £158,528) for accountancy services by Integral 2 Limited, a company of which David Joseph is a director. At the balance sheet date the group owed £13,766 (2008 £13,590) to Integral 2 Limited.

Certain loan notes are held by directors as disclosed in note 16.

27 Ultimate controlling party

The majority of shares in the company are owned by funds managed by August Equity LLP.

28 Post balance sheet events

On 13 October 2010 the group renegotiated its banking facilities, converted £17,234,853 of loan note principal and £9,431,670 of loan note accrued interest to equity and agreed a cash injection of £1,000,000 from its main investor. In addition the company issued new shares to management (see page 10 and note 17).