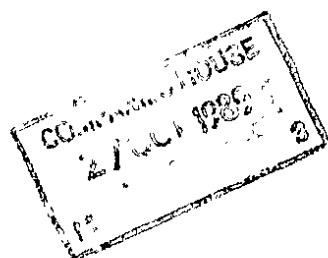


620277

LEWMAR MARINE LIMITED

ACCOUNTS - YEAR ENDED 31ST MARCH 1989



LEWMAR MARINE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH 1989

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31st March 1989. (1988, 13 months ended 1st April, 1988).

PRINCIPAL ACTIVITY:

The principal activity of the company continues to be the design, manufacture and marketing of sophisticated equipment for racing and cruising yachts.

BUSINESS REVIEW:

The company had a very successful year, improving it's productive efficiency and introducing new product ranges.

FUTURE PROSPECTS:

The company will continue to seek opportunities in its own field of expertise to develop its business by the introduction of both products and processes.

RESEARCH AND DEVELOPMENT:

Work towards the development of new products and manufacturing techniques so as to keep the company at the forefront of its field of expertise continues.

ACQUISITION OF SUBSIDIARY:

On 14th February, 1989 the entire issued Share Capital of Richfield Marine Thrusters Limited was acquired for a consideration of up to a maximum of £697,500, dependent upon future profitability.

RESULTS AND DIVIDENDS:

The results for the year are shown in the profit and loss account on page 4.

The directors recommend the payment of a dividend of £410,000.
(1988: £450,000)

LEWMAR MARINE LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were as follows-

D F Abel Smith
P J Horrell
S A Hartley
R D J Huggett
D P Carter (appointed 29th April 1988)

Beneficial shareholdings in the ultimate holding company

D F Abel Smith and P J Horrell are directors of the ultimate holding company and their interests fall to be disclosed in the accounts of that company. R D J Huggett and S A Hartley are directors of Lewmar plc and their interests fall to be disclosed in the accounts of that company. The other director had no interests in the shares of group companies during the year.

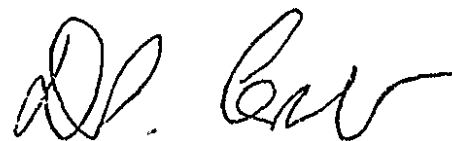
FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 7 to the accounts. The directors do not consider that there is a material difference between the market value of tangible fixed assets and their balance sheet value.

AUDITORS:

A resolution will be proposed at the forthcoming Annual General Meeting to reappoint Peat Marwick McLintock as auditors.

BY ORDER OF THE BOARD,



D P CARTER
Secretary

Southmoor Lane
Havant
Hants
PO9 1JJ

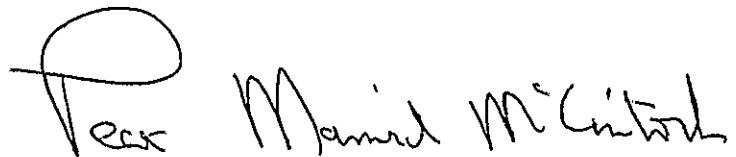
AUDITORS' REPORT TO THE MEMBERS OF

LEWMAR MARINE LIMITED

We have audited the accounts on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31st March 1989 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to the fact that the accounts do not include a statement of source and application of funds of the company and thus do not comply with Statement of Standard Accounting Practice No. 10.

The image shows a handwritten signature in dark ink. The signature is written in a cursive style and appears to read 'Peat Marwick McLintock'. The first part of the signature, 'Peat', is written with a large, looped initial 'P'. The rest of the name is written in a more fluid, cursive script.

PEAT MARWICK McLINTOCK

Chartered Accountants

Birmingham
19 July 1989

LEWMAR MARINE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1989

		1989	13 months ended 1st April 1988
	Notes	£	£
TURNOVER	2	13,411,541	14,152,990
Change in stock of finished goods and work in progress		662,504	(473,459)
Raw materials and consumables		(5,578,628)	(5,880,556)
Other external charges		(2,967,123)	(3,092,815)
Staff costs	3	(3,009,956)	(3,512,749)
Depreciation		(366,848)	(306,032)
		<u>(11,260,051)</u>	<u>(13,265,611)</u>
TRADING PROFIT		2,151,490	887,379
Interest	4	(177,161)	(35,659)
		<u>1,974,329</u>	<u>851,720</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,974,329	851,720
Taxation on profit on ordinary activities	6	(761,065)	(543,935)
		<u>1,213,264</u>	<u>307,785</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,213,264	307,785
Dividends		(410,000)	(450,000)
		<u>803,264</u>	<u>(142,215)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR		803,264	(142,215)
RETAINED PROFIT AT THE BEGINNING OF THE YEAR		5,959,554	6,101,769
RETAINED PROFIT AT THE END OF THE YEAR		<u><u>6,762,818</u></u>	<u><u>5,959,554</u></u>

LEWMAR MARINE LIMITED

BALANCE SHEET AT 31ST MARCH 1989

			1st April 1988
	Notes	£	£
FIXED ASSETS			
Tangible assets	7	2,321,459	1,515,725
Investments	8	8,596,464	7,847,130
		<u>10,917,923</u>	<u>9,362,855</u>
CURRENT ASSETS			
Stocks	9	4,988,782	4,403,297
Debtors	10	5,069,318	4,903,039
Cash at bank		25,683	76,044
		<u>10,083,783</u>	<u>9,382,380</u>
CREDITORS: amounts falling due within one year	11	(9,344,888)	(8,334,253)
NET CURRENT ASSETS		<u>738,895</u>	<u>1,048,127</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,656,818	10,410,982
CREDITORS: amounts falling due after more than one year	12	(4,569,000)	(4,258,493)
PROVISION FOR LIABILITIES AND CHARGES	13	(250,000)	(117,935)
		<u>6,837,818</u>	<u>6,034,554</u>
CAPITAL AND RESERVES			
Called up share capital	14	75,000	75,000
Profit and loss account	15	6,762,818	5,959,554
		<u>6,837,818</u>	<u>6,034,554</u>

D Carter)
) Directors
 J Huggett)

The accounts were approved by the board of directors on 19 July 1989.

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

1. ACCOUNTING POLICIES:

The principal accounting policies are-

a) Basis of accounting

The accounts are prepared under the historical cost convention.

b) Consolidated accounts

Consolidated accounts have not been prepared as the company is a wholly-owned subsidiary of a U.K. company.

c) Depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows-

Long leasehold improvements	-	remainder of useful life of original building.
Machinery and equipment	-	7 1/2 years
Motor vehicles	-	5 years
Furniture and fittings	-	5-10 years

d) Fixed asset investments

Investments are shown at cost. For the accounting policy for investments denominated in foreign currency see Note 1h. Changes in value arising from fluctuations in foreign currency exchange rates are accounted for through the profit and loss account.

e) Stocks

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

Cost comprises direct materials, direct labour and appropriate overhead expenditure.

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

1. ACCOUNTING POLICIES (Continued):

f) Taxation

Deferred tax is provided on the liability method in respect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

g) Pension costs

It is the general policy of the group to provide for and fund pension liabilities on a going concern basis, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every three years.

h) Foreign currency

Normal trading transactions denominated in foreign currencies are recorded in sterling at the actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange prevailing at the year end or, where appropriate at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reflected in the profit and loss account.

Non-monetary assets and liabilities denominated in foreign currencies at the year end are recorded at the historic exchange rate prevailing at the date of the transaction.

i) Research and Development

Expenditure on research and development is written off as incurred.

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

2. Turnover

Turnover consists of sales less returns and allowances after excluding value added tax.

The analyses of turnover by geographical area are as follows:

	Year ended 31st March 1989 £	13 months ended 1st April 1988 £
United Kingdom	2,553,546	2,145,926
Europe	6,888,631	6,751,549
USA	1,934,967	2,637,803
Other	2,034,397	2,617,712
	<hr/>	<hr/>
	13,411,541	14,152,990
	=====	=====

3. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	1989 Number	1988 Number
Sales & Management	25	24
Administration	64	33
Production	159	204
	<hr/>	<hr/>
	248	261
	===	===

The aggregate payroll costs of these persons comprised:

	1989 £	1988 £
Wages and salaries	2,671,782	3,115,908
Social Security costs	277,258	308,362
Pension Costs	60,916	88,479
	<hr/>	<hr/>
	3,009,956	3,512,749
	=====	=====

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

4. Interest payable (receivable)

	Year ended 31st March 1989 £	13 months ended 1st April 1988 £
Bank overdrafts, loans and debentures repayable within five years	337,724	223,965
Interest on loans to group companies	(151,182)	(188,306)
Interest on currency deposits	(11,425)	-
Interest on overdue taxation	2,044	-
	<hr/> 177,161 =====	<hr/> 35,659 =====

5. Profit on ordinary activities before taxation

	1989 £	1988 £
The profit on ordinary activities before taxation is stated after charging:		
(a) Directors' remuneration		
Emoluments (including pension contributions)	152,529	201,459
Compensation for loss of office	-	104,400
	<hr/> 152,529 =====	<hr/> 305,859 =====

The directors' remuneration disclosed above (excluding pension contributions) includes amounts paid to:

Chairman	Nil ==	Nil ==
Highest paid director	67,380 =====	53,412 =====

Other directors in the following ranges:

	1989 Number	1988 Number
£Nil - £ 5,000	1	1
£25,001 - £30,000	1	2
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£50,001 - £55,000	1	-

(b) Auditors' remuneration	29,700 =====	27,000 =====
(c) Hire of plant and machinery	17,052 =====	919 =====
(d) Senior employees received remuneration in the following ranges	1989 Number	1988 Number
£35,001 - £40,000	-	1

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

6. Taxation on profit on ordinary activities

	Year ended 31st March 1989 £	13 months ended 1st April 1988 £
Corporation tax at 35% based upon taxable profit for the year.	569,000	402,000
Deferred taxation	137,260	(41,589)
	<hr/>	<hr/>
	706,260	360,411
Adjustments to prior years		
Deferred taxation	(5,195)	133,524
Corporation Tax	60,000	50,000
	<hr/>	<hr/>
	761,065	543,935
	<hr/>	<hr/>

7. Fixed assets

	Long Leasehold £	Machinery and Equipment £	Furniture and Fittings £	Motor Vehicles £	Assets Under Construction £	Total £
Cost						
At 2nd April 1988	291,388	2,586,189	186,370	96,842	-	3,160,789
Additions	26,092	1,034,816	42,250	45,730	34,697	1,183,585
Disposals	-	(63,352)	-	35,260	-	(98,612)
Exchange adjustment	-	3,613	-	-	-	3,613
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1989	317,480	3,561,266	228,620	107,312	34,697	4,249,375
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 2nd April 1988	66,764	1,387,580	139,779	50,941	-	1,645,064
Provision for year	8,442	322,644	15,012	20,750	-	366,848
Disposals	-	(63,352)	-	(22,337)	-	(85,689)
Exchange adjustment	-	1,693	-	-	-	1,693
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 1989	75,206	1,648,565	154,791	49,354	-	1,927,916
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book values						
At 31st March 1989	242,274	1,912,701	73,829	57,958	34,697	2,321,459
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 2nd April 1988	224,624	1,198,609	46,591	45,901	-	1,515,725
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

8. Investments

a) The following are included in the cost of investments.

	1989 £	1988 £
Ordinary shares in subsidiary companies	4,869,275	4,337,887
Loans to subsidiary companies	3,425,487	3,207,541
Other shares in group companies	301,702	301,702
	<u>8,596,464</u>	<u>7,847,130</u>

b) The movement in the year was as follows:

	Ordinary Shares in subsidiary companies	Loans to subsidiary companies	Other shares in subsidiary companies (Note i)	Total
COST	£	£	£	£
At 2nd April 1988	4,337,887	3,207,541	301,702	7,847,130
Additions	531,388	151,025	-	682,413
Gain on translation	-	66,921	-	66,921
31st March 1989	<u>4,869,275</u>	<u>3,425,487</u>	<u>301,702</u>	<u>8,596,464</u>

NOTES:

(i) \$450,000 10% cumulative preferred stock, Lewmar Marine Systems Inc.

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

8. Investments (continued)

c) Principal company investments-

Details of the subsidiaries of the company are set out below.
All subsidiaries are wholly owned private companies. Shares of subsidiaries marked * are held by Lewmar Marine Limited and shares of all other companies are held by subsidiaries.

	Country of incorporation & operation	Principal activity	Issued ordinary share capital amount	10% cumulative preferred stock	Proportion held by the company
<u>Subsidiaries</u>					
Marin AB *	Sweden	Distribution	SKr 50,000	-	100%
Sud Europe SARL *	France	Distribution	FFr 50,000	-	100%
Netherlands BV *	Netherlands	Holding Co.	Dfl 35,000	-	100%
Marine Systems Inc.	U.S.A.	Holding Co.	-	US\$ 450,000	100%
Brookes & Gatehouse Ltd.*	U.K.	Manufacturing	£ 168,388 Deferred £ 16,838 Ordinary £ 100	-	100%
Quartermaster Ltd. Waterford	U.K.	Manufacturing	£ 100	-	51%
Engineering Ltd	Ireland	Manufacturing	IR£ 10,000		100%
Navtec Inc.	U.S.A.	Manufacturing	\$ 361		100%
Mid Europe BV	Holland	Distribution	Dfl 40,000		100%
Lewmar Marine Inc	U.S.A.	Distribution	\$ 500		100%
Brookes & Gatehouse Inc.	U.S.A.	Distribution	\$ 50,000		100%
Richfield Marine Thrusters Ltd*	U.K.	Manufacturing	£ 2,000		100%

9. Stocks

	1989	1988
	£	£
Raw materials and consumables	651,762	728,781
Work in progress	1,643,468	1,407,189
Finished goods	2,693,552	2,267,327
	<u>4,988,782</u>	<u>4,403,297</u>

10. Debtors

	1989	1988
	£	£
Trade debtors	845,093	925,131
Other debtors	248,313	186,826
Amounts due from group companies	3,975,912	3,791,082
	<u>5,069,318</u>	<u>4,903,039</u>

LEWIS MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

11. Creditors: amounts falling due within one year

	1989 £	1988 £
Bank overdrafts (unsecured)	4,369,218	3,133,403
Trade creditors	2,317,386	1,220,549
Corporation tax	338,654	798,224
Other taxes & Social Security	105,929	117,981
Accruals	446,504	1,084,828
Proposed and accrued dividend	410,000	450,000
Amounts due to group companies	1,357,197	1,529,268
	<hr/>	<hr/>
	9,344,888	8,334,253
	<hr/>	<hr/>

12. Creditors: amounts falling due after more than one year

	1989 £	1988 £
Corporation tax payable (April 1990)	569,000	258,493
Amounts due to group companies	4,000,000	4,000,000
	<hr/>	<hr/>
	4,569,000	4,258,493
	<hr/>	<hr/>

13. Provision for liabilities and charges

	Deferred Taxation £
At the beginning of the year	117,935
Charge for the year	132,065
	<hr/>
At the end of the year	250,000
	<hr/>

LEMMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

13. Provision for liabilities and charges (continued)

The amounts provided for deferred taxation together with the amounts not provided calculated on the liability method at a corporation tax rate of 35% are as follows:

	<u>1989</u>		<u>1988</u>	
	Amount provided £	Amount not provided £	Amount provided £	Amount not provided £
Deferred: due to Capital allowances	197,225	-	152,935	-
due to other timing differences	52,775	-	(35,000)	-
	<u>250,000</u>	<u>-</u>	<u>117,935</u>	<u>-</u>

14. Share Capital

	<u>1989</u> £	<u>1988</u> £
80,000 Authorised Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid Ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>

15. Reserves

All reserves are considered by the directors to be distributable with the exception of £13,458 (1988 NIL) arising from translation gains on fixed asset investments.

16. Guarantees and other financial commitments:

a) Capital commitments

At the end of the year, capital commitments were-

	<u>1989</u> £	<u>1988</u> £
Contracted for	276,500	-
Authorised but not contracted for	23,700	-
	<u>300,200</u>	<u>-</u>

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

b) Foreign currency commitments

At the end of the year, the company has entered into contracts totalling £6,298,303 to sell foreign currencies up to 15 months in the future as a hedge against foreign currency fluctuations.

c) Pension arrangements

The Company operates an externally administered staff pension fund providing for defined benefits. The fund is subject to a triennial independent actuarial valuation, which last took place in December 1988. The cost to the company in the year was £60,916 (1988 £88,479).

d) VAT

The company is jointly and severally liable for the Value Added Tax liability of certain group companies, which at 31 March 1989 totalled £NIL (1988 £NIL).

e) Acquisition of subsidiary

The company may be required to pay deferred consideration of up to £200,000 in respect of the acquisition of Richfield Marine Thrusters Limited.

f) Bank guarantees

The company together with its ultimate holding company and certain of its fellow subsidiaries have entered into cross guarantees with Barclays Bank plc and Lloyds Bank plc in respect of monies borrowed from time to time by group companies from the respective banks.

g) Loan guarantee

The company has given a guarantee in respect of a bank loan to an overseas employee amounting to \$275,000.

LEWMAR MARINE LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 1989

continued

17. Source and application of funds

A statement of source and application of funds of the company has not been prepared as in the opinion of the directors since the Company is a wholly owned subsidiary the cost of preparation of the statement is not justified.

18. Ultimate Holding Company

The Ultimate Holding Company is Benjamin Priest Group plc, incorporated in England.