Grant Thornton



HYS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2000

Company no 3007521

HYS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 2000

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REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September 2000.

Principal activities

The group is principally engaged in yacht repairing and dry berthing of boats. The parent company does not trade.

Business review

Turnover increased by 12.8% to £3.5m. As previously reported the group incurred substantial expenditure on repairs during the year as well as further expenditure on new fixed assets and improvements. The expenditure on repairs has reduced the group's profit for the year but the directors expect the benefits to be reflected in increased future revenues.

There was a profit for the year after taxation amounting to £194,176 (1999: £285,118). The directors recommend dividends absorbing £110,000 (1999: £118,957).

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors in the shares of the company as at 1 October 1999 and 30 September 2000 were as follows:

	Ordinary shares	
	30 September 2000	1 October 1999
Mr R J Saint	**156,001**	156,001
Mr A S King	**143,999**	143,999
Mr R W Littledale	**-**	-

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

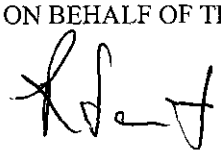
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



R J Saint
Director
12 January 2001

Grant Thornton

REPORT OF THE AUDITORS TO THE MEMBERS OF

HYS (HOLDINGS) LIMITED

We have audited the financial statements on pages 4 to 19 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of the directors and auditors

As described on page 1 the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 30 September 2000 and the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SOUTHAMPTON
12 January 2001

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 8) drawn up to 30 September 2000.

Goodwill on consolidation is written off to reserves immediately on acquisition.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The periods generally applicable are:

Leasehold improvements	10 years
Leasehold land and buildings	over the period of the lease
Plant and machinery	between 3 and 20 years
Motor vehicles	between 3 and 4 years
Fixtures and fittings	between 3 and 10 years

STOCKS

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

DEFERRED TAXATION

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

CONTRIBUTIONS TO PENSION FUNDS

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting year.

LEASED ASSETS

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

HYS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2000

	Note	2000 £	1999 £
Turnover	1	**3,527,155**	3,127,350
Cost of sales		**(2,000,937)**	(1,778,369)
Gross profit		**1,526,218**	1,348,981
Administrative expenses		**(1,305,069)**	(970,277)
Other operating income		**166,220**	173,205
Operating profit		**387,369**	551,909
Interest receivable and similar income		**17,998**	10,569
Interest payable and similar charges	2	**(160,671)**	(177,384)
Profit on ordinary activities before taxation	1	**244,696**	385,094
Tax on profit on ordinary activities	4	**(50,520)**	(99,976)
Profit for the financial year	18	**194,176**	285,118
Dividends	6	**(110,000)**	(118,957)
Profit transferred to reserves	17	**84,176**	166,161

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

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

HYS (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Tangible assets	7		**3,643,677**		3,628,538
Investments	8		**100**		100
			3,643,777		3,628,638
Current assets					
Stock	9	**132,911**		102,248	
Debtors	10	**588,956**		555,274	
Cash at bank and in hand		**303,319**		244,954	
		1,025,186		902,476	
Creditors: amounts falling due within one year	11	**(1,690,071)**		(1,477,262)	
Net current liabilities			**(664,885)**		(574,786)
Total assets less current liabilities			**2,978,892**		3,053,852
Creditors: amounts falling due after more than one year	12		**(1,389,680)**		(1,553,869)
Provisions for liabilities and charges	14		**(50,841)**		(45,788)
			1,538,371		1,454,195
Capital and reserves					
Called up share capital	16		**489,200**		489,200
Share premium account	17		**884,000**		884,000
Profit and loss account	17		**165,171**		80,995
Shareholders' funds	18		**1,538,371**		1,454,195
Equity shareholders' funds			**438,371**		354,195
Non-equity shareholders' funds			**1,100,000**		1,100,000
			1,538,371		1,454,195

The financial statements were approved by the Board of Directors on 12 January 2001

R J Saint **Director**

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

HYS (HOLDINGS) LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Investments	8		**1,373,200**		1,373,200
Current assets					
Debtors	10	**471,957**		471,957	
Creditors: amounts falling due within one year	11	**(416,628)**		(416,628)	
Net current assets			**55,329**		55,329
Total assets less current liabilties			**1,428,529**		1,428,529
Capital and reserves					
Called up share capital	16		**489,200**		489,200
Share premium account	17		**884,000**		884,000
Profit and loss account	17		**55,329**		55,329
Shareholders' funds			**1,428,529**		1,428,529
Equity shareholders' funds			**328,529**		328,529
Non-equity shareholders' funds			**1,100,000**		1,100,000
			1,428,529		1,428,529

The financial statements were approved by the Board of Directors on 12 January 2001

R J Saint **Director**

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

HYS (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	19	**612,518**	689,425
Returns on investments and servicing of finance			
Interest received		**17,998**	10,569
Interest paid		**(154,786)**	(175,459)
Finance lease interest paid		**(5,885)**	(1,925)
Non equity dividends paid		**(110,000)**	(46,000)
Net cash outflow from returns on investments and servicing of finance		**(252,673)**	(212,815)
Taxation		**(49,389)**	(34,525)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(27,615)**	(113,678)
Sale of tangible fixed assets		**16,500**	950
Net cash outflow from capital expenditure and financial investment		**(11,115)**	(112,728)
Financing			
Repayment of borrowings		**(196,260)**	(193,655)
Capital element of finance lease rentals		**(41,335)**	(14,007)
Net cash outflow from financing		**(237,595)**	(207,662)
Increase in cash	20	**61,746**	121,695

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

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:	**2000** £	1999 £
Auditors' remuneration	**10,400**	12,000
Depreciation and amortisation:		
Tangible fixed assets, owned	**69,909**	63,980
Tangible fixed assets, held under finance leases and hire purchase contracts	**16,591**	15,105

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
On bank loans and overdrafts	**154,786**	175,459
Finance charges in respect of finance leases	**5,885**	1,925
	160,671	177,384

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	**2000** £	1999 £
Wages and salaries	**1,125,842**	1,005,278
Social security costs	**97,316**	94,059
Other pension costs	**38,657**	41,773
	1,261,815	1,141,110

The average number of employees of the company during the year were as follows:

	2000 Number	1999 Number
Production	**47**	42
Administration	**20**	20
	67	62

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	**105,996**	101,649
Pension contributions to money purchase pension schemes	**12,000**	12,000
	117,996	113,649

During the year one director (1999: one) participated in a money purchase pension scheme.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
Corporation tax at 21% (1999: 21.3%)	**42,866**	68,288
Deferred taxation	**5,053**	31,688
	47,919	99,976
Underprovision of corporation tax in prior years	**2,601**	-
	50,520	99,976

5 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. None of the group profit for the year is dealt with in the financial statements of the company.

6 DIVIDENDS

	2000 £	1999 £
Preference dividend of 10p per share	**92,000**	92,000
Fixed dividend on "A" ordinary shares of 10p per share	**18,000**	18,000
Participating dividend on "A" ordinary shares	**-**	8,957
	110,000	118,957

7 TANGIBLE FIXED ASSETS

Group	Freehold land £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost						
At 1 October 1999	2,950,788	482,078	724,947	67,187	35,876	4,260,876
Additions	-	22,907	30,240	48,432	6,628	108,207
Disposals	-	-	-	(26,273)	-	(26,273)
At 30 September 2000	2,950,788	504,985	755,187	89,346	42,504	4,342,810
Depreciation						
At 1 October 1999	-	108,494	454,298	49,368	20,178	632,338
Charged for the year	-	20,700	42,799	15,786	7,215	86,500
Eliminated on disposals	-	-	-	(19,705)	-	(19,705)
At 30 September 2000	-	129,194	497,097	45,449	27,393	699,133
Net book amount at 30 September 2000	**2,950,788**	**375,791**	**258,090**	**43,897**	**15,111**	**3,643,677**
Net book amount at 30 September 1999	2,950,788	373,584	270,649	17,819	15,698	3,628,538

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

Group	£
Net book amount at 30 September 2000	**71,461**
Net book amount at 30 September 1999	16,151
Depreciation provided in the year	16,591

Leasehold land and buildings comprise:

	2000 £	1999 £
Net book amount of long leasehold land	**311,717**	317,217
Net book amount of short leasehold land and buildings	**64,074**	56,367
	375,791	373,584

8 FIXED ASSET INVESTMENTS

Group	Other investments £
Cost and net book value	
At 1 October 1999 and 30 September 2000	100

Company	Shares in group undertakings £	Loans to group undertaking £	Total £
Cost and net book value			
At 1 October 1999 and 30 September 2000	477,275	895,925	1,373,200

At 30 September 2000 the group held more than 20% of the equity share capital of the following undertakings:

Name of undertaking	Class of share capital held	Proportion held by Parent company	Proportion held by Group	Nature of business
Hamble Yacht Services Limited	Ordinary	100%		Yacht repairs and dry berthing of boats
Hamble Point Yacht Services Ltd	Ordinary		100%	Dormant

9 STOCKS

	Group 2000 £	1999 £
Raw materials and consumable stores	**70,530**	70,388
Short-term work in progress	**62,381**	31,860
	132,911	102,248

10 DEBTORS

	Group		Company	
	2000	1999	**2000**	1999
	£	£	**£**	£
Trade debtors	**537,331**	483,825	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**471,957**	471,957
Taxation recoverable	**-**	21,500	**-**	-
Prepayments and accrued income	**51,625**	49,949	**-**	-
	588,956	555,274	**471,957**	471,957

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2000	1999	**2000**	1999
	£	£	**£**	£
Bank loan and overdraft	**474,394**	477,775	**-**	-
Less: deferred arrangement costs	**(2,520)**	(2,520)	**-**	-
	471,874	475,255	**-**	-
Trade creditors	**235,024**	119,924	**-**	-
Corporation tax	**42,866**	68,288	**-**	-
Social security and other taxes	**50,788**	93,646	**-**	-
Dividends payable	**416,628**	416,628	**416,628**	416,628
Other creditors	**189,353**	72,923	**-**	-
Accruals and deferred income	**265,992**	222,758	**-**	-
Amounts due under finance leases and hire purchase contracts	**17,546**	7,840	**-**	-
	1,690,071	1,477,262	**416,628**	416,628

The bank loan and overdraft are secured by means of:
i) Debentures constituting first fixed and floating charges over the assets of the group, and
ii) Legal charges constituting first fixed charges over the property.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2000	1999
	£	£
Bank loan	**1,373,825**	1,570,085
Less: deferred arrangement costs	**(17,640)**	(20,160)
	1,356,185	1,549,925
Amounts due under finance leases and hire purchase contracts	**33,495**	3,944
	1,389,680	1,553,869

The bank loan is secured by means of:
i) Debentures constituting first fixed and floating charges over the assets of the group, and
ii) Legal charges constituting first fixed charges over the property.

The bank loan is repayable in monthly instalments of £16,355 expiring September 2008. The interest rate applicable is 2.25% above Bank of Scotland's base rate, subject to a minimum of 8%.

13 BORROWINGS

Borrowings are repayable as follows:

	Group	
	2000	1999
	£	£
Within one year		
Bank and other borrowings	**471,874**	475,255
Finance leases	**17,546**	7,840
After one and within two years		
Bank and other borrowings	**178,620**	176,100
Finance leases	**10,973**	3,321
After two and within five years		
Bank and other borrowings	**588,780**	588,780
Finance leases	**22,522**	623
After five years		
Bank and other borrowings	**588,785**	785,045
	1,879,100	2,036,964

14 PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation
	£
At 1 October 1999	45,788
Provided during the year	5,053
At 30 September 2000	**50,841**

15 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

Group	Amount provided 2000 £	1999 £
Accelerated capital allowances	**36,385**	50,738
Other timing differences	**-**	(4,950)
	36,385	45,788

16 SHARE CAPITAL

	2000 £	1999 £
Authorised, allotted, called up and fully paid		
300,000 ordinary shares of £1 each	**300,000**	300,000
180,000 "A" ordinary shares of £1 each	**180,000**	180,000
920,000 preference shares of 1p each	**9,200**	9,200
	489,200	489,200

The preference shares and the "A" ordinary shares are non-equity shares.

Dividend rights

Profits available for distribution are required under the company's Articles of Association to be applied to the payment of dividends in the following order of priority:

1 A cumulative dividend on the preference shares of 10p per share per annum.

2 A cumulative dividend on the "A" ordinary shares ("the fixed dividend") of 10p per share per annum.

3 A cumulative dividend on the "A" ordinary shares ("the participating dividend") based on the net profit (as defined in the Articles of Association) of the company and its subsidiaries.

4 A cumulative dividend on the "A" ordinary shares ("the compensatory dividend") of a sum equal to the "excess remuneration" (as defined in the Articles of Association) of the directors divided by the number of ordinary shares held by them.

No dividend is payable in respect of the ordinary shares unless and until any preference, fixed, participating and compensatory dividends (1, 2, 3 and 4 above), including arrears in respect of prior years, have been paid and all preference shares due for redemption have been redeemed. Thereafter, subject to conditions in the Articles of Association regarding the availability of profits for the purpose, any profits available for distribution may be paid as dividends in the following order of priority:

5 A dividend on the ordinary shares equal to the aggregate of the participating and fixed dividend on the "A" ordinary shares.

6 A dividend equally on the ordinary and "A" ordinary shares, subject to the consent of a 75% majority of the "A" ordinary shareholders.

Redemption and conversion

The preference shares are redeemable in instalments of 90,000 shares on 30 June 1998 and annually thereafter until 30 June 2007. However, the redemptions scheduled for 30 June 2000 and 30 June 1999 have not taken place.

The preference shares are also redeemable in the event of the company's equity shares being listed on the Stock Exchange or dealt in on any other recognised investment exchange, or if an offer to purchase 90% or more of the equity shares becomes unconditional.

The "A" ordinary shares may be converted at par into ordinary shares of £1 each at any time determined by the holders of a 75% majority of the "A" ordinary shares.

Winding up

On winding up, shareholders have the right to receive payment of capital and arrears of dividends in the following order of priority:

1 Preference shares - £1 per share plus arrears of dividend.

2 "A" ordinary shares - £1 per share plus arrears of dividend.

3 Ordinary shares - £1 per share plus arrears of dividend.

4 "A" ordinary shares and ordinary shares pari passu - the balance of assets.

Voting

The preference shares carry no rights to attend or vote at a general meeting of the company. Holders of "A" ordinary shares and ordinary shares have one vote per share held.

17 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £	Profit and loss account £
At 1 October 1999	884,000	80,995
Retained profit for the year	-	84,176
At 30 September 2000	**884,000**	**165,171**

Company	Share premium account £	Profit and loss account £
At 1 October 1999	884,000	55,329
Retained profit for the year	-	-
At 30 September 2000	**884,000**	**55,329**

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	**194,176**	285,118
Dividends	**(110,000)**	(118,957)
Net increase in shareholders' funds	**84,176**	166,161
Shareholders' funds at 1 October 1999	**1,454,195**	1,288,034
Shareholders' funds at 30 September 2000	**1,538,371**	1,454,195
Attributable to:		
Equity shareholders		
Ordinary share interests	**438,371**	354,195
Non-equity shareholders:		
Preference share interests	**920,000**	920,000
"A" ordinary share interests	**180,000**	180,000
	1,538,371	1,454,195

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	**387,369**	551,909
Depreciation	**86,500**	79,085
Amortisation of borrowing costs	**2,520**	2,520
Profit on sale of tangible fixed assets	**(9,932)**	(950)
Increase in stocks	**(30,663)**	34,606
Increase in debtors	**(55,182)**	(37,748)
Increase in creditors	**231,906**	60,003
Net cash inflow from continuing operating activities	**612,518**	689,425

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Increase in cash in the year	**61,746**	121,695
Cash outflow from financing in the year	**196,260**	191,135
Cash outflow from finance leases in the year	**41,335**	14,007
Refinancing of loans	**(2,520)**	-
Inception of finance leases	**(80,592)**	(10,611)
Movement in net debt in the year	**216,229**	316,226
Net debt at 1 October 1999	**(1,792,010)**	(2,108,236)
Net debt at 30 September 2000	**(1,575,781)**	(1,792,010)

21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 1999 £	Cashflow £	Non-cash items £	At 30 September 2000 £
Cash in hand and at bank	244,954	58,365	-	303,319
Overdrafts	(281,515)	3,381	-	(278,134)
	(36,561)	61,746	-	25,185
Debt	(1,743,665)	196,260	(2,520)	(1,549,925)
Finance leases	(11,784)	41,335	(80,592)	(51,041)
	(1,792,010)	299,341	(83,112)	(1,575,781)

22 CAPITAL COMMITMENTS

The group had no capital commitments at 30 September 2000 or 30 September 1999.

23 CONTINGENT LIABILITIES

The group had no contingent liabilities at 30 September 2000 or 30 September 1999.

24 PENSIONS

The group operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the group.