

FARNE SALMON AND TROUT LIMITED

Report and Accounts

31 March 2002

Company No: SC076613

ERNST & YOUNG



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DIRECTORS

B Gardner (Chairman)
R K Jeha
C J Burke
G Burgess
P Cassidy
V Tyson
S Billet
M Hughes
J van Leeuwen

SECRETARY

J R Smith

REGISTERED OFFICE

Station Road Industrial Estate
Duns
Berwickshire
TD11 3HS

SOLICITORS

Burness
Festival Square
50 Lothian Road
Edinburgh
EH3 9WJ

AUDITORS

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Farne Salmon and Trout Limited

DIRECTORS' REPORT

The directors present their report and accounts for the period ended 31 March 2002.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity continues to be that of the processing of salmon and trout for both the wholesale and retail markets.

On 5 November 2001 the ownership of the company was transferred to a new immediate parent undertaking, Farne Holdings Limited and the refinancing of the company was completed. The balance due from the ultimate parent undertaking was either converted into shares in Farne Holdings Limited or waived.

The results for the period are set out on page 7.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £1,853,000 (year ended 31 December 2000: loss £5,255,000).

FIXED ASSETS

The movements in tangible fixed assets during the period are set out in note 9 to the accounts.

DIRECTORS

The directors at 31 March 2002 and their beneficial interests in the company's issued ordinary share capital, were as follows:

	<i>Number of ordinary shares</i>	
	<i>31 March 2002</i>	<i>31 December 2000</i>
B Gardner (Chairman)	Nil	Nil
R K Jeha	Nil	Nil
C J Burke	Nil	Nil
G Burgess	Nil	Nil
P Cassidy	Nil	Nil
V Tyson	Nil	Nil
S Billet	Nil	Nil
M Hughes	Nil	Nil
J van Leeuwen	Nil	Nil

A C Colvin resigned on 12 January 2001, M R P Abela resigned on 6 September 2001 and A D M Malcolm resigned on 27 September 2001. Sir P Sheehy and A J M Abela resigned on 1 November 2001. Mr S Billet, Mr G Burgess, Mr P Cassidy, Mr V Tyson and Mr M Hughes were appointed directors on 1 November 2001. C J Burke was appointed on 12 January 2001.

DISABLED PERSONS

Disabled persons are employed by the company when they appear to be suited to a particular vacancy.

Due to the type of work involved, the environmental conditions and the high standard of hygiene to be maintained, the production area is unsuitable for many disabled persons. As a result of this, the proportion of registered disabled people is generally less than that stipulated by the Disabled Persons (Employment) Acts 1944 and 1958.

For these reasons the company has applied for and been granted a dispensation which is renewed every six months in accordance with relevant legislation.

Farne Salmon and Trout Limited

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Secretary
2 July 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FARNE SALMON AND TROUT LIMITED

We have audited the company's financial statements for the period ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 company's 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 affairs of the company as at 31 March 2002 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

2 July 2002

Farne Salmon and Trout Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 March 2002

		<i>Period ended 31 March 2002 £000</i>	<i>Year ended 31 December 2000 £000</i>
	<i>Notes</i>		
TURNOVER	3	26,518	23,910
Cost of sales		24,274	25,963
GROSS PROFIT/(LOSS)		<u>2,244</u>	<u>(2,053)</u>
Sales and distribution costs		1,924	1,576
Administrative expenses		1,295	1,223
OPERATING LOSS	4	<u>(975)</u>	<u>(4,852)</u>
EXCEPTIONAL ITEM			
Inter-group balance waived		3,220	-
Dividend receivable		-	337
Interest receivable	6	(2)	(11)
Interest payable	7	394	751
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		<u>1,853</u>	<u>(5,255)</u>
Tax on profit/(loss) on ordinary activities	8	-	-
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		<u><u>1,853</u></u>	<u><u>(5,255)</u></u>

There were no recognised gains or losses other than those included in the profit and loss account.

Farne Salmon and Trout Limited

BALANCE SHEET at 31 March 2002

	Notes	31 March 2002 £000	31 December 2000 £000
FIXED ASSETS			
Tangible assets	9	6,187	6,240
Investments	10	-	-
		<u>6,187</u>	<u>6,240</u>
CURRENT ASSETS			
Stocks	11	1,218	1,177
Debtors	12	3,416	6,546
Cash at bank and in hand		20	611
		<u>4,654</u>	<u>8,334</u>
CREDITORS: amounts falling due within one year	13	5,737	10,179
		<u>(1,083)</u>	<u>(1,845)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,104</u>	<u>4,395</u>
CREDITORS: amounts falling due after more than one year	14	5,318	6,435
DEFERRED INCOME			
Deferred government grants	16	352	379
		<u>(566)</u>	<u>(2,419)</u>
DEFICIENCY OF ASSETS			
CAPITAL AND RESERVES			
Called up share capital	17	89	89
Share premium account	18	153	153
Profit and loss account	18	(808)	(2,661)
		<u>(566)</u>	<u>(2,419)</u>
Shareholders' funds - equity	19	<u>(566)</u>	<u>(2,419)</u>



Director
2 July 2002

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared on the going concern basis because the company's intermediate holding company has agreed not to seek repayment of its loan for the foreseeable future.

2. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

This represents the invoiced amounts of goods sold and services supplied by the company, net of Value Added Tax and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Provision is made for depreciation on all tangible fixed assets, at rates calculated to write off the cost or valuation, less their estimated residual value, over their expected useful lives on the following bases:

Heritable property	- 5% to 15% straight line basis
Office equipment	- 10% to 30% straight line basis
Plant and machinery	- 7% to 33% straight line basis
Motor vehicles	- 25% to 33% reducing balance basis

Where tangible fixed assets were purchased during the period, depreciation has been computed on the basis stated above, but the provision has been restricted to that proportion of the period for which the asset was used by the company.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. Cost includes all direct costs together with attributable variable overheads based on normal production levels.

Deferred tax

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 a obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

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.

Leasing and hire purchase

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible fixed assets and are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

2. ACCOUNTING POLICIES (continued)

Foreign currencies

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

Government grants

Grants related to expenditure on tangible fixed assets are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

3. TURNOVER

Turnover is attributable to one continuing activity, the sale of processed fish.

	2002 £000	2000 £000
Sale of processed fish in the UK and mainland Europe	26,518	23,910

4. OPERATING LOSS

	2002 £000	2000 £000
This is stated after charging/(crediting):		
Directors' emoluments (note 5)	339	154
Auditors' remuneration - as auditors	25	25
- other services	6	6
Depreciation of tangible fixed assets		
- owned by the company	984	1,253
- held under finance leases and hire purchase contracts	152	136
Operating lease rentals - plant and machinery	35	58
- vehicles	50	-
Government grants released	(111)	(88)
Operating Exceptional Items		
- charge for impairment of fixed assets	-	2,493
- charge for over-rider payments in relation to prior years	50	-
- charges for crates in relation to prior years	65	-

5. EMPLOYEE INFORMATION

Staff costs, including directors' remuneration, were as follows:

	2002 £000	2000 £000
Wages and salaries	8,027	7,110
Social security costs	567	523
Other pension costs	67	56
	8,661	7,689

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS

at 31 March 2002

5. EMPLOYEE INFORMATION

(continued)

The average number of persons employed by the company during the period, including directors, was made up as follows:

	2002	2000
	No.	No.
Administration	11	11
Marketing	4	4
Quality control	27	26
Production	471	622
	<u>513</u>	<u>663</u>

Directors' emoluments

	2002	2000
	£000	£000
Emoluments	320	81
Company contributions to money purchase pension scheme	19	13
Compensation for loss of office	-	60
	<u>339</u>	<u>154</u>

Five directors have benefits accruing to them under a money purchase pension scheme.

The amounts in respect of the highest paid director are as follows:

	£000
Emoluments	116
Company contributions to money purchase schemes	<u>10</u>

6. INTEREST RECEIVABLE

	2002	2000
	£000	£000
Bank interest	2	11

7. INTEREST PAYABLE

	2002	2000
	£000	£000
Finance leases and hire purchase contracts	34	31
Bank loans and overdrafts	254	553
Other interest	106	167
	<u>394</u>	<u>751</u>

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2002	2000
	£000	£000
UK corporation tax	-	-
Deferred taxation - current year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the period

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:-

	2002	2000
	£000	£000
Profit/(loss) on ordinary activities before tax	1,853	(5,255)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2000: 30.00%)	556	(1,576)
Effect of:		
Disallowed expenses and non-taxable income	(961)	(97)
Capital allowances in excess of depreciation	(304)	1,038
Short term timing differences	(34)	-
Tax losses brought forward	743	635
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Deferred tax assets of £2,124,000 primarily consisting of tax losses carried forward and capital allowances, have not been recognised as there is insufficient evidence as to their recoverability in the foreseeable future. The assets are recoverable against future taxable trading profits.

9. TANGIBLE FIXED ASSETS

	Freehold buildings	Plant and machinery	Total
	£000	£000	£000
Cost:			
At 31 December 2000	5,345	9,909	15,254
Additions	-	1,083	1,083
Disposals	-	(22)	(22)
At 31 March 2002	<u>5,345</u>	<u>10,970</u>	<u>16,315</u>
Depreciation:			
At 31 December 2000	1,867	7,147	9,014
Charge for period	171	965	1,136
Disposals	-	(22)	(22)
At 31 March 2002	<u>2,038</u>	<u>8,090</u>	<u>10,128</u>
Net book value			
At 31 March 2002	<u>3,307</u>	<u>2,880</u>	<u>6,187</u>
At 31 December 2000	<u>3,478</u>	<u>2,762</u>	<u>6,240</u>

The net book value of plant and machinery etc includes assets held under finance leases or hire purchase contracts amounting to £675,862 (2000: £384,704).

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

10. INVESTMENTS

Details of the investment are as follows:

Name of company	Description of shares held	Proportion of voting rights and shares held	
		31 March 2002	31 December 2000
Thomas Ballantyne Salmon Limited	Ordinary shares of £1 each	100%	100%
The above company is incorporated in Scotland and does not trade.			

11. STOCKS

	31 March 2002	31 December 2000
	£000	£000
Raw materials and consumables	446	435
Work in progress	146	102
Finished goods and goods for resale	626	640
	<u>1,218</u>	<u>1,177</u>

12. DEBTORS

	31 March 2002	31 December 2000
	£000	£000
Due within one year:		
Trade debtors	2,990	5,660
Value added tax repayments due	24	150
Corporation tax recoverable	1	1
Other debtors	4	575
Prepayments	397	160
	<u>3,416</u>	<u>6,546</u>

13. CREDITORS: amounts falling due within one year

	2002	2000
	£000	£000
Bank overdraft	285	3,917
Current instalments due on bank loan (secured) (see note 14)	-	866
Obligations under finance leases and hire purchase contracts (secured) (see note 14)	221	141
Trade creditors	2,268	3,356
Amounts owed to group companies	-	320
Other taxes and social security costs	221	313
Accruals	924	1,266
Other creditors	1,818	-
	<u>5,737</u>	<u>10,179</u>

Other creditors are secured by a bond and floating charge over the company's assets.

The finance leases and hire purchase contracts are secured by a standard security over the property and the individual assets.

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

14. CREDITORS: amounts falling due after more than one year

	2002	2000
	£000	£000
Bank loans (secured) (see below)	-	3,792
Obligations under finance leases and hire purchase contracts (secured)	434	150
Amounts owed to group companies	261	2,493
Amounts owed to intermediate parent undertaking	4,623	-
	<u>5,318</u>	<u>6,435</u>

Bank loans

	2002	2000
	£000	£000
Amounts falling due:		
In one year or less or on demand	-	866
Between one and two years	-	824
Between two and five years	-	2,474
In five years or more	-	494
	<u>-</u>	<u>4,658</u>
Less: included in creditors: amounts falling due within one year (note 13)	-	(866)
	<u>-</u>	<u>3,792</u>

Amounts due under finance leases and hire purchase contracts:

	2002	2000
	£000	£000
Amounts payable:		
Within one year (note 13)	221	141
In two to five years	434	150
	<u>655</u>	<u>291</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts is as follows:

	Provision	
	2002	2000
	£000	£000
Accelerated capital allowances	-	-
Other timing differences	-	-
	<u>-</u>	<u>-</u>

16. GOVERNMENT GRANTS

	2002	2000
	£000	£000
At 1 January 2001	379	467
Grants received in the period	84	-
Released to profit and loss account	(111)	(88)
	<u>352</u>	<u>379</u>

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

17. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2002</i>	<i>2000</i>	<i>2002</i>	<i>2000</i>
	<i>No.</i>	<i>No.</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	135,000	135,000	89	89

18. RESERVES

	<i>Share premium account</i>	<i>Profit and loss account</i>
	<i>£000</i>	<i>£000</i>
Balance at 1 January 2001	153	(2,661)
Profit retained for the period	-	1,853
Balance at 31 March 2002	153	(808)

19. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<i>2002</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Shareholders' funds at 1 January 2001	(2,419)	2,836
Profit/(loss) for the period	1,853	(5,255)
Shareholders' funds at 31 March 2002	(566)	(2,419)

20. COMMITMENTS AND CONTINGENT LIABILITIES

Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the group in independently administered funds.

Capital commitments

	<i>2002</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Expenditure contracted for	-	250

Other financial commitments

The annual commitment under non-cancellable operating leases is as follows:

	<i>Plant and machinery</i>	
	<i>2002</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Lease expiring:		
within one year	23	35
within two to five years	55	37
	78	72

Farne Salmon and Trout Limited

NOTES TO THE ACCOUNTS at 31 March 2002

21. PARENT UNDERTAKING

The directors regard Business Development Corporation B D C 5 Limited, a company registered in Guernsey, as the ultimate holding company.

The parent undertakings of the smallest and largest groups of which the company is a member and for which group accounts are prepared are Farne Holdings Limited, a company registered in Scotland, and Business Development Corporation B D C 5 Limited, respectively.