

Farne Salmon and Trout Limited

Report and Financial statements

30 June 2005

Company No: SC076613

ERNST & YOUNG



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Directors

E P G Boin (Chairman)
C J Burke
P Cassidy
S Billet

Secretary

J R Smith

Registered office

Station Road Industrial Estate
Duns
Berwickshire
TD11 3HS

Solicitors

Dundas and Wilson CS LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Directors' report

The directors present their report and financial statements for the year ended 30 June 2005.

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.

Results and dividends

The loss for the year, after taxation, amounted to £1,932,000 (period ended 30 June 2004: loss £878,000).

Fixed assets

The movements in tangible fixed assets during the period are set out in note 7 to the financial statements.

Directors

The directors at 30 June 2005 and their beneficial interests in the company's issued ordinary share capital, were as follows:

	<i>Number of ordinary shares</i>	
	<i>30 June 2005</i>	<i>30 June 2004</i>
E P G Boin (Chairman)	Nil	Nil
C J Burke	Nil	Nil
P Cassidy	Nil	Nil
S Billet	Nil	Nil

The directors' shareholdings in the ultimate parent undertaking at 30 June 2005 are as follows:

	<i>Shares held</i>
	<i>£</i>
E P G Boin (Chairman)	9,873,495
C J Burke	2,962,049
P Cassidy	1,481,024
S Billet	1,974,699

These shares were acquired during the year.

Disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by such individuals.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever applicable.

Employee Involvement

Employees are provided with information about the company at regular meetings of the body which represents all employees.

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



J R Smith
Secretary

26/12/ 2005

Statement of directors' responsibilities in respect of 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 of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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 financial statements 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 year ended 30 June 2005 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 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

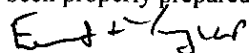
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Qualified opinion arising from disagreement about accounting treatment

Costs of £277,000 relating to goods and services received during the year but not invoiced until after the balance sheet date have not been included in the financial statements. In our opinion, provision should have been made for these costs in the financial statements increasing reported loss before tax and reducing net assets by that amount.

Except for the absence of this provision, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2005 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh
20/12/2005

Profit and loss account

for the year ended 30 June 2005

		Year ended 30 June 2005 £000	15 month period ended 30 June 2004 £000
	Notes		
Turnover	2	32,510	30,450
Cost of sales		31,182	28,071
Gross profit		1,328	2,379
Sales and distribution costs		1,399	1,760
Administrative expenses		1,275	933
Operating loss	3	(1,346)	(314)
Interest payable	5	586	564
Loss on ordinary activities before tax		(1,932)	(878)
Tax on loss on ordinary activities	6	-	-
Loss for the financial period		(1,932)	(878)

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

Balance sheet

at 30 June 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	7	7,637	6,210
Investments	8	-	-
		<u>7,637</u>	<u>6,210</u>
Current assets			
Stocks	9	2,857	2,403
Debtors	10	4,492	2,700
		<u>7,349</u>	<u>5,103</u>
Creditors: amounts falling due within one year	11	3,290	4,168
Net current assets		<u>4,059</u>	<u>935</u>
Total assets less current liabilities		<u>11,696</u>	<u>7,145</u>
Creditors: amounts falling due after more than one year	12	8,179	2,007
Deferred income			
Deferred government grants	14	432	121
Net assets		<u>3,085</u>	<u>5,017</u>
Capital and reserves			
Called up share capital	15	7,399	7,399
Share premium account	16	153	153
Profit and loss account	16	(4,467)	(2,535)
Shareholders' funds - equity	17	<u>3,085</u>	<u>5,017</u>



Director

20 December 2005

Notes to the financial statements

at 30 June 2005

1. Accounting policies

Basis of preparation

The financial statements 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	-	4% reducing balance
Office equipment	-	30% straight line basis
Plant and machinery	-	15% 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.

Notes to the financial statements

at 30 June 2005

1. 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.

2. Turnover

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

An analysis of turnover by geographical market is given below:

	2005 £000	2004 £000
United Kingdom	20,746	19,619
Switzerland	2,474	2,657
United States of America	248	971
European Community	9,042	7,203
	<u>32,510</u>	<u>30,450</u>

3. Operating loss

	2005 £000	2004 £000
This is stated after charging/(crediting):		
Directors' emoluments (note 4)	278	328
Auditors' remuneration - as auditors	23	22
- other services	6	6
Depreciation of tangible fixed assets		
- owned by the company	1,261	1,005
- held under finance leases and hire purchase contracts	-	137
Operating lease rentals - plant and machinery	-	28
- vehicles	38	37
Government grants released	(129)	(118)
	<u></u>	<u></u>

Notes to the financial statements

at 30 June 2005

4. Employee information

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

	2005 £000	2004 £000
Wages and salaries	8,026	8,183
Social security costs	614	666
Other pension costs	66	64
	<u>8,706</u>	<u>8,913</u>

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

	2005 No.	2004 No.
Administration	9	9
Marketing	4	4
Quality control	22	22
Production	496	433
	<u>531</u>	<u>468</u>

Directors' emoluments

	2005 £000	2004 £000
Emoluments	256	300
Company contributions to money purchase pension scheme	22	28
	<u>278</u>	<u>328</u>

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

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

	2005 £	2004 £
Emoluments	103,056	112,500
Company contributions to money purchase schemes	<u>9,000</u>	<u>11,250</u>

Notes to the financial statements

at 30 June 2005

5. Interest payable

	2005	2004
	£000	£000
Finance leases and hire purchase contracts	2	234
Bank loans and overdrafts	36	58
Other interest	548	272
	<u>586</u>	<u>564</u>

6. Tax on loss on ordinary activities

	2005	2004
	£000	£000
UK corporation tax	-	-
Deferred taxation - current year	-	-
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the period

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

	2005	2004
	£000	£000
Loss on ordinary activities before tax	(1,932)	(878)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30.00%)	(580)	(263)
Effect of:		
Disallowed expenses and non-taxable income	7	10
Depreciation in excess of capital allowances	325	228
Short term timing differences	(36)	(38)
Tax losses brought forward	284	63

Factors that may affect future tax charges

Deferred tax assets of £3,206,000 (2004: £2,611,000) 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.

No deferred tax is recognised in respect of the capital losses carried forward at 30 June 2005. The amount of deferred tax not recognised is £36,000 (2004: £1,000). The capital losses may be offset against future capital gains of the company.

Notes to the financial statements

at 30 June 2005

7. Tangible fixed assets

	<i>Freehold buildings</i>	<i>Plant and machinery</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 30 June 2004	5,345	13,073	18,418
Additions	-	2,688	2,688
Disposals	-	-	-
At 30 June 2005	5,345	15,761	21,106
Depreciation:			
At 30 June 2004	2,326	9,882	12,208
Charge for year	121	1,140	1,261
Disposals	-	-	-
At 30 June 2005	2,447	11,022	13,469
Net book value			
At 30 June 2005	2,898	4,739	7,637
At 30 June 2004	3,019	3,191	6,210

8. Investments

Details of the investment are as follows:

<i>Name of company</i>	<i>Description of shares held</i>	<i>Proportion of voting rights and shares held</i>	
		<i>2005</i>	<i>2004</i>
Thomas Ballantyne Salmon Limited	Ordinary shares of £1 each	100%	100%

The above company was incorporated in Scotland and did not trade. It was struck off on 19 November 2005.

9. Stocks

	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	1,280	959
Work in progress	354	437
Finished goods and goods for resale	1,223	1,007
	2,857	2,403

10. Debtors

	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Due within one year:		
Trade debtors	3,869	2,245
Value added tax repayments due	135	156
Other debtors	-	1
Prepayments	488	298
	4,492	2,700

Notes to the financial statements

at 30 June 2005

11. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	291	56
Trade creditors	1,688	2,193
Other taxes and social security costs	212	344
Accruals	1,099	374
Amounts owed to group companies	-	1,201
	<u>3,290</u>	<u>4,168</u>

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

	2005 £000	2004 £000
Amounts owed to parent undertaking	8,168	1,050
Amounts owed to group companies	11	957
	<u>8,179</u>	<u>2,007</u>

13. Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	2005 £000	2004 £000
Accelerated capital allowances	-	-
Other timing differences	-	-
	<u>-</u>	<u>-</u>

14. Government grants

	2005 £000	2004 £000
At 30 June 2004	121	188
Grants received in the year	440	54
Released to profit and loss account	(129)	(121)
At 30 June 2005	<u>432</u>	<u>121</u>

15. Called up share capital

	Authorised		Allotted, called up and fully paid	
	2005 No.	2004 No.	2005 £000	2004 £000
Ordinary shares of £1 each	<u>7,748,817</u>	<u>7,748,817</u>	<u>7,399</u>	<u>7,399</u>

Notes to the financial statements

at 30 June 2005

16. Reserves

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>
Balance at 30 June 2004	153	(2,535)
Loss incurred in the year	-	(1,932)
Balance at 30 June 2005	153	(4,467)

17. Reconciliation of movements on shareholders' funds

	<i>2005 £000</i>	<i>2004 £000</i>
Shareholders' funds at 30 June 2004	5,017	(1,415)
Shares issued in the period	-	7,310
Loss for the year	(1,932)	(878)
Shareholders' funds at 30 June 2005	3,085	5,017

18. 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.

Other financial commitments

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

	<i>Plant and machinery 2005 £000</i>	<i>2004 £000</i>
Lease expiring:		
within one year	3	25
within two to five years	37	16
	40	41

19. Parent undertaking

The directors regard SIF hf, a company registered in Iceland, as the ultimate parent undertaking.

The parent undertaking of the smallest and largest groups of which the company is a member and for which group financial statements are prepared is Financière De Kiel SAS, a company registered in France.