

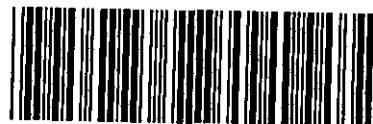
Company Registration Number SC076613

FARNE SALMON & TROUT LIMITED

Report and Financial Statements

1 July 2007

TUESDAY



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FARNE SALMON & TROUT LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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FARNE SALMON & TROUT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

O E Norgaard (Chairman)
W Duncanson
R Deakin

SECRETARY

J R Smith

REGISTERED OFFICE

Station Road Industrial Estate
Duns
Berwickshire
TD11 3HS

BANKERS

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

SOLICITORS

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

AUDITORS

Deloitte & Touche LLP
Bristol

FARNE SALMON & TROUT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 1 July 2007

PRINCIPAL ACTIVITY

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are pleased to report a significant improvement on last year. The operating profit in the year was £1,673,000 (2006: loss of £348,000) after depreciation of £1,303,000 (2006: £1,286,000) an improvement in operating profit before depreciation of £2,038,000. Farne Salmon & Trout have made a profit after tax in the financial year ended 1 July 2007 of £1,591,000. Results are set out further in the profit and loss account.

The company is committed to maintaining its focus on new product development and seeking out opportunities to further its goal of being a centre of excellence for salmon and trout in the UK. Part of this programme is to maintain the company's high health and safety standards and to this end the company has reduced the number of reportable injuries per million hours worked from 4.75 to 4.35 for the year to 2 July 2007.

Costs continue to be rigorously controlled throughout the company, leading to improved margins.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The group operates a credit insurance scheme and constant business monitoring to minimise its exposure to non-insured risks.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge these exposures where appropriate and the company benefits from those contracts without taking them out directly themselves.

Interest-bearing assets and liabilities are held at a fixed rate to ensure certainty of cash flows.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amount presented in the balance sheet is net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company has relied upon support from the group.

Price risk

The company is exposed to commodity price risk. The company manages its exposure to commodity price risk by entering into commodity supply contracts at levels deemed appropriate by the management.

FARNE SALMON & TROUT LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

The directors have declared a dividend of £nil (2006 £nil)

DIRECTORS

The present membership of the Board is set out on page 1. The directors during the year and subsequently were as follows

O E Norgaard (chairman) (appointed 26 October 2006)
E P G Boin (resigned 26 October 2006)
P Cassidy (resigned 31 July 2007)
W Duncanson
R Deakin (appointed 13 September 2006)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

 14/11/2007

O E Norgaard
Director

FARNE SALMON & TROUT LIMITED

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 United Kingdom 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 & TROUT LIMITED

We have audited the financial statements of Farne Salmon & Trout Limited for the year ended 1 July 2007 which comprise the profit and loss account the balance sheet and the related notes 1 to 16. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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

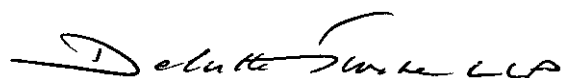
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 1 July 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors

Bristol, United Kingdom

22 January 2008

FARNE SALMON & TROUT LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 1 July 2007

	Note	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
TURNOVER	2	47 563	44 221
Cost of sales		(43 670)	(42,715)
GROSS PROFIT		3 893	1 506
Administrative expenses		(2 220)	(1,854)
OPERATING PROFIT/(LOSS)	4	1,673	(348)
Net interest	5	4	(505)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1 677	(853)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(86)	1 236
PROFIT FOR THE FINANCIAL YEAR	12	1 591	383

All activities derive from continuing activities

There are no recognised gains or losses for the current or preceding period other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

FARNE SALMON & TROUT LIMITED

BALANCE SHEET At 1 July 2007

	Note	2007		2006	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	7		7 742		7 703
CURRENT ASSETS					
Stocks	8	2,784		2 720	
Debtors	9	6,129		7,367	
Cash at bank and in hand		5 788		650	
		<u>14,701</u>		<u>10,737</u>	
CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(7 580)</u>		<u>(5 668)</u>	
NET CURRENT ASSETS			<u>7,121</u>		<u>5,069</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14 363</u>		<u>12,772</u>
NET ASSETS			<u><u>14,363</u></u>		<u><u>12 772</u></u>
CAPITAL AND RESERVES					
Called up share capital	11		17 399		17,399
Share premium account	12		153		153
Profit and loss account	12		<u>(3 189)</u>		<u>(4 780)</u>
TOTAL SHAREHOLDERS' FUNDS	12		<u><u>14,363</u></u>		<u><u>12,772</u></u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



O E Norgaard
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 July 2007

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The accounting policies have been consistently applied throughout the current and preceding period as follows.

Adoption of FRS 20 'Share Based Payments'

During the year the parent company issued share options to certain employees of the company. There was no adjustment to the prior period figures as there were no share options in issue in the prior period. A charge of £116,000 has been recognised in the current period.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost over the estimated lives of the assets. The rates of depreciation are as follows:

Property	4% reducing balance basis
Plant and machinery	15% to 30% straight line basis

No depreciation is charged against land.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with FRS 19 deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 July 2007

1 ACCOUNTING POLICIES (continued)

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they fall due.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Share based payments

The company participates in the Alfesca hf group performance related share based incentive arrangement for executive directors and senior employees of the group. The benefit received by the Farne Salmon & Trout Limited employees is expensed over the period of the incentive arrangements and repaid to Alfesca hf. Where the performance measure is assessed over a period in excess of one year, the fair value of the related share based incentive is estimated and spread over the period. Where the performance measure is assessed over a financial period or less the fair value of the share based incentives earned is expensed in the year.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking has included the company in its own published consolidated financial statements.

2. TURNOVER

Analysis of class of business and geographical location by turnover is stated below

	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
Geographical analysis of turnover by location		
Europe	47,563	43,709
United States of America		512
	<u>47,563</u>	<u>44,221</u>

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. All turnover is attributable to the principal activity of the company and arose from operations in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 July 2007

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
Directors' emoluments		
Emoluments	282	227
Pension contributions	20	23
Share based payments	64	
	<u>366</u>	<u>250</u>
Remuneration of the highest paid director	£'000	£'000
Emoluments	90	73
Pension contributions	9	7
Share based payments	51	
	<u>150</u>	<u>80</u>
	£'000	£'000
Contributions to defined contribution pension schemes on behalf of the directors	20	23
	<u>20</u>	<u>23</u>
	No	No
The number of directors who were members of a defined contribution pension scheme	3	4
	<u>3</u>	<u>4</u>
Employee costs during the year (excluding directors):	£'000	£'000
Wages and salaries	8 318	8,898
Social security costs	723	747
Other pension costs	59	60
Share based payments	52	
	<u>9,152</u>	<u>9 705</u>
Average number of persons employed	No	No.
Production	500	566
Administration	15	11
Marketing	5	5
Quality control	25	25
	<u>545</u>	<u>607</u>

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 July 2007

4 OPERATING PROFIT/(LOSS)

	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
Operating profit/(loss) is after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets own assets	1 303	1 286
Auditors' remuneration audit	29	24
other services related to taxation	6	1
Exchange loss/(gain) due to foreign exchange	100	(50)
	<u> </u>	<u> </u>

5 NET INTEREST

	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
Interest payable and similar charges		
Bank overdrafts	(5)	(20)
Inter company interest	(43)	(485)
	<u> </u>	<u> </u>
	(48)	(505)
Interest receivable and similar income		
Bank interest	52	
	<u> </u>	<u> </u>
Net interest	4	(505)
	<u> </u>	<u> </u>

6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
Current tax		(726)
Group Relief		
Adjustment in respect of prior period	86	(510)
	<u> </u>	<u> </u>
	86	(1 236)
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 1 July 2007

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 30% (2006 30%) The differences are being explained below

	Year ended 1 July 2007 £'000	Period ended 2 July 2006 £'000
Profit/(loss) on ordinary activities before tax	<u>1,677</u>	<u>(853)</u>
	£'000	£'000
Tax on profit/(loss) on ordinary activities at standard rate	503	(256)
Factors affecting the charge		
Expenses not deductible for tax purposes	41	47
Capital allowances in excess of depreciation	(218)	(326)
Tax losses utilised	(749)	
Movement in short term timing differences	(77)	17
Adjustment in respect of prior years	86	(510)
Tax effect of prior year adjustment		(208)
UK corporation tax charge/(credit) for the period	<u>86</u>	<u>(1,236)</u>

Factors that may affect future tax charges

The expected reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 July 2007

7 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 2 July 2006	5,345	17,102	22,447
Additions		842	842
At 1 July 2007	5,345	17,944	23,289
Accumulated depreciation			
At 2 July 2006	2,547	12,197	14,744
Charge for year	110	1,193	1,303
At 1 July 2007	2,657	13,390	16,047
Net book value			
At 1 July 2007	2,688	4,554	7,242
At 2 July 2006	2,798	4,905	7,703

8 STOCKS

	2007 £'000	2006 £'000
Raw materials and consumables	546	692
Work in progress	378	479
Finished goods	1,860	1,549
	2,784	2,720

9 DEBTORS

	2007 £'000	2006 £'000
Trade debtors	5,499	4,571
Amounts due from group undertakings (loans)		979
Amounts due from group undertakings		1,236
Other taxes and social security	144	136
Prepayments and accrued income	486	445
	6,129	7,367

NOTES TO THE FINANCIAL STATEMENTS
Year ended 1 July 2007

10	CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	2007 £'000	2006 £'000
	Trade creditors	4,335	3 834
	Amounts owed to group undertakings	417	119
	Other taxes and social security	256	153
	Accruals	2 031	1 125
	Government grants	541	437
		<u>7 580</u>	<u>5,668</u>

11	CALLED UP SHARE CAPITAL	2007 No	2006 No
	Authorised		
	Ordinary shares of £1 each	<u>18 000 000</u>	<u>18 000,000</u>
		No	No
	Allotted and fully paid		
	Ordinary shares of £1 each	<u>17 398 817</u>	<u>17 398 817</u>

12	COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT IN RESERVES	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
	At 2 July 2006	17 399	153	(4 780)	12 772
	Retained profit for the year			1 591	1 591
	At 1 July 2007	<u>17 399</u>	<u>153</u>	<u>(3 189)</u>	<u>14 363</u>