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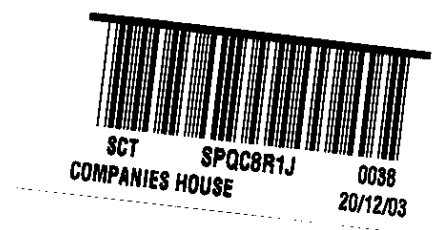


Wadbister Salmon Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2002



Wadbister Salmon Limited

OFFICERS AND PROFESSIONAL ADVISERS



DIRECTORS

G Synnevag
F Mogster
O Svendsen

SECRETARY

G Synnevag

REGISTERED OFFICE

18-20 Queens Road
Aberdeen
AB15 4ZT

AUDITORS

Baker Tilly
Chartered Accountants
122 Commercial Street
Lerwick
Shetland
ZE1 0HX

Wadbister Salmon Limited

DIRECTORS' REPORT



The directors submit their report and financial statements of Wadbister Salmon Limited for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of salmon farming.

REVIEW OF THE BUSINESS

Although the company has made a loss in 2002, the directors are satisfied with the performance of the company. The reasons for the loss are low market prices in the financial year and write down of stock to net realisable value.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

G Synnevag
F Mogster
O Svendsen

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

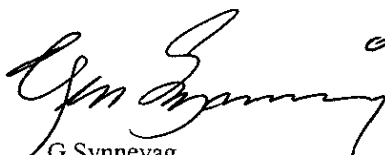
The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

AUDITORS

A resolution to re-appoint Baker Tilly as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
18-20 Queens Road
Aberdeen
AB15 4ZT

By order of the board



G Synnevag

Company Secretary

12 December 2003



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 of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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 WADBISTER SALMON LIMITED



Independent auditors' report to the shareholders of Wadbister Salmon Limited

We have audited the financial statements on pages 6 to 16 of Wadbister Salmon Limited for the year ended 31 December 2002. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WADBISTER SALMON LIMITED (continued)



GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of negotiations for additional finance being made available to allow the company to meet its liabilities as they fall due for payment. The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being made available. The financial statements do not include any adjustments that would result from a failure to obtain funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditor
Chartered Accountants
122 Commercial Street
Lerwick
Shetland
ZE1 0HX

12 December 2003

Wadbister Salmon Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002



	<i>Notes</i>	2002 £	2001 £
TURNOVER	2	51,164	3,833,168
Cost of sales		51,951	3,376,079
Gross (loss)/profit		(787)	457,089
Distribution costs		1,516	145,594
Administrative expenses		899,182	381,916
OPERATING LOSS	3/6	(901,485)	(70,421)
Interest receivable		1,207	3,930
Interest payable	7	(722,407)	(456,086)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,622,685)	(522,577)
Taxation	8	—	84,704
LOSS FOR THE FINANCIAL YEAR		(1,622,685)	(607,281)

The operating loss for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Wadbister Salmon Limited

BALANCE SHEET

31 December 2002



	Notes	2002 £	2001 £
FIXED ASSETS			
Intangible assets	9	13,225	13,525
Tangible assets	10	1,213,976	1,513,468
Investments	11	83,040	83,040
		<u>1,310,241</u>	<u>1,610,033</u>
CURRENT ASSETS			
Stocks	12	4,021,716	986,751
Debtors	13	4,476,904	7,093,524
Cash at bank		400	—
		<u>8,499,020</u>	<u>8,080,275</u>
CREDITORS			
Amounts falling due within one year	14	14,003,772	12,229,352
NET CURRENT LIABILITIES		<u>(5,504,752)</u>	<u>(4,149,077)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,194,511)</u>	<u>(2,539,044)</u>
CREDITORS			
Amounts falling due after more than one year	15	90,367	117,859
		<u>(4,284,878)</u>	<u>(2,656,903)</u>
Government grants	18	19,306	24,596
		<u>(4,304,184)</u>	<u>(2,681,499)</u>
CAPITAL AND RESERVES			
Called up equity share capital	21	40,000	40,000
Profit and loss account	22	(4,344,184)	(2,721,499)
DEFICIENCY	23	<u>(4,304,184)</u>	<u>(2,681,499)</u>

These financial statements were approved by the directors on the 12 December 2003 and are signed on their behalf by:

G Synnevag
Director



1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

GOING CONCERN

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided by Hjaltland Seafarms AS, the company's ultimate holding undertaking, as well as its major creditors. Hjaltland Seafarms AS has provided the company with an undertaking that for at least 6 months from the date of approval of these financial statements, and thereafter for the foreseeable future, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. At the same time discussions are taking place with all significant creditors and the directors anticipate finance will continue to be made available to the company from its bankers and other external finance providers.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities and external funders for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Hjaltland Seafarms AS, and its cash flows are included within the consolidated cash flow statement of that company.

TURNOVER

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. The turnover and loss is attributable mainly to one activity, that of salmon farming, and is derived wholly from Europe.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Site licences	- 50 years
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FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Piers and Shorebase	- 20-40 years
Plant & Equipment	- 2-10 years
Motor Vehicles	- 4-5 years
Boats	- 5-10 years



1 ACCOUNTING POLICIES (continued)

STOCKS

Stocks are stated at the lower of cost and net realisable value, with due allowance being made for estimated stock losses due to weather, predation and disease. Cost includes fish purchases, feed, direct labour and all other costs directly associated with the rearing of fish. An appropriate proportion of attributable overheads has also been included within the stock valuation.

HIRE PURCHASE AGREEMENTS

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The company contributes to personal pension plans of certain employees. The amounts charged against profits represents the contributions payable to the plans in respect of the accounting period.

DEFERRED TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

DEFERRED GOVERNMENT GRANTS

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2 TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	<u>51,164</u>	<u>3,833,168</u>

Wadbister Salmon Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002



3 OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2002	2001
	£	£
Amortisation of government grants re fixed assets	(5,290)	(5,290)
Depreciation on tangible fixed assets:		
Owned	326,142	301,462
Leased		32,500
Loss on disposal of fixed assets:	4,702	6,478
Auditors' remuneration		
- as auditors	8,000	7,000
- for other services	—	1,900
Operating lease costs:		
Plant and equipment	—	230,292
Other assets	—	8,900

4 REMUNERATION OF DIRECTORS

The directors received no emoluments from the company during the year (2001: £nil).

5 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No	No
Number of production staff	23	28
Number of administrative staff	1	1
	<u>24</u>	<u>29</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	619,256	733,922
Social security costs	59,677	73,126
Other pension costs	9,992	17,166
	<u>688,925</u>	<u>824,214</u>

6 EXCEPTIONAL ITEMS

	2002	2001
	£	£
Recognised in arriving at operating profit:		
Exchange loss	<u>(628,075)</u>	<u>8,165</u>

Wadbister Salmon Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002



7 INTEREST PAYABLE

	2002	2001
	£	£
Interest payable on bank borrowing	—	328,504
Finance charges	3,645	2,782
Other interest	718,762	124,800
	<u>722,407</u>	<u>456,086</u>

Of the above amounts £650,984 (2001: £297,038) was payable to group undertakings.

8 TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2002	2001
	£	£
Current tax:		
Corporation tax	—	—
Adjustments relating to earlier years; Group relief	—	84,704
Total current tax	<u>—</u>	<u>84,704</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%).

	2002	2001
	£	£
Loss on ordinary activities before taxation	<u>(1,622,685)</u>	<u>(522,577)</u>
Loss on ordinary activities by rate of tax	(486,805)	(156,773)
Expenses not deductible for tax purposes	35	3,745
Capital allowances less than depreciation	97,483	104,630
Tax losses carried forward	389,287	45,567
Tax losses carried back	—	2,831
Adjustment relating to earlier years; group relief	—	84,704
Total current tax (note 8(a))	<u>—</u>	<u>84,704</u>

Wadbister Salmon Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002



9 INTANGIBLE FIXED ASSETS

	Intangible Asset £
Cost	
At 1 January 2002 and 31 December 2002	<u>15,000</u>
Amortisation	
At 1 January 2002	1,475
Charge for the year	300
At 31 December 2002	<u>1,775</u>
Net book value	
At 31 December 2002	<u>13,225</u>
At 31 December 2001	<u>13,525</u>

It is expected that the site licences will be available for 50 years under current trading conditions, therefore these licences are being amortised over 50 years.

10 TANGIBLE FIXED ASSETS

	Pier and shorebase £	Plant & Equipment £	Motor Vehicles £	Boats £	Total £
Cost					
At 1 January 2002	79,276	2,020,512	285,938	780,762	3,166,488
Additions	--	15,523	14,000	4,510	34,033
Disposals	--	(15,768)	(37,257)	--	(53,025)
At 31 December 2002	<u>79,276</u>	<u>2,020,267</u>	<u>262,681</u>	<u>785,272</u>	<u>3,147,496</u>
Depreciation					
At 1 January 2002	25,164	1,106,955	156,627	364,274	1,653,020
Charge for the year	2,533	228,735	29,855	65,019	326,142
On disposals	--	(8,730)	(36,912)	--	(45,642)
At 31 December 2002	<u>27,697</u>	<u>1,326,960</u>	<u>149,570</u>	<u>429,293</u>	<u>1,933,520</u>
Net book value					
At 31 December 2002	<u>51,579</u>	<u>693,307</u>	<u>113,111</u>	<u>355,979</u>	<u>1,213,976</u>
At 31 December 2001	<u>54,112</u>	<u>913,557</u>	<u>129,311</u>	<u>416,488</u>	<u>1,513,468</u>

Hire purchase agreements

Included within the net book value of £1,213,976 is £90,667 (2001 - £170,667) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £17,000 (2001 - £32,500).

Wadbister Salmon Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002



11 INVESTMENTS

Investment in subsidiary

Cost	£
At 1 January 2002 and 31 December 2002	<u>83,040</u>
Net book value	
At 31 December 2002	<u>83,040</u>
At 31 December 2001	<u>83,040</u>

The company's investment in its subsidiary company represents the cost of acquisition of the whole of the share capital of Wadbister Offshore Limited, a company registered in Scotland, which trades as a salmon farm.

12 STOCKS

	2002	2001
	£	£
Stock	3,937,957	955,784
Raw materials	83,759	30,967
	<u>4,021,716</u>	<u>986,751</u>

13 DEBTORS

	2002	2001
	£	£
Trade debtors	8,732	17,327
Amounts owed by group undertakings	3,979,612	6,280,790
Group relief	174,469	174,469
Other debtors	27,044	33,202
Prepayments and accrued income	287,047	587,736
	<u>4,476,904</u>	<u>7,093,524</u>

Wadbister Salmon Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002



14 CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Other loan (see note 15)	575	575
Bank loans and overdrafts	9,476	32,539
Trade creditors	2,080,462	1,660,864
Amounts owed to group undertakings	11,785,755	10,372,757
Other taxation and social security	35,702	17,249
Hire purchase agreements	13,350	32,730
Other creditors	50,000	–
Accruals and deferred income	28,452	112,638
	<u>14,003,772</u>	<u>12,229,352</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2002	2001
	£	£
Bank, other loans and overdrafts	10,051	33,114
Trade creditors	1,226,237	1,052,634
	<u>1,235,713</u>	<u>1,085,748</u>

Bank borrowings are secured by a first bond and floating charge over all of the assets of the company.

Amounts due to BioMar Limited, included within trade creditors, are secured by a second bond and floating charge over all the assets of the company.

15 CREDITORS: Amounts falling due after more than one year

	2002	2001
	£	£
Amounts owed to group undertakings	64,204	78,346
Hire purchase agreements	–	13,350
Other loan	26,163	26,163
	<u>90,367</u>	<u>117,859</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2002	2001
	£	£
Other loan	<u>26,163</u>	<u>26,163</u>
Analysis of debt		
Debt can be analysed as falling due		
In one year or less, or on demand	10,051	33,114
Between one and two years	287	287
Between two and five years	861	861
In five years or more	25,015	25,015
	<u>36,214</u>	<u>59,277</u>

The other loan is repayable by annual instalments of £287 terminating during the financial year ending 31 December 2091. No interest is payable on this loan. The other loan is secured by a bond and floating charge over the company's entire property and undertaking.

Wadbister Salmon Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002



16 COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002	2001
	£	£
Amounts payable within 1 year	13,350	32,730
Amounts payable between 2 and 5 years	–	13,350
	<u>13,350</u>	<u>46,080</u>

17 DEFERRED TAXATION

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows:

	2002	2001
	£	£
Excess of taxation allowances over depreciation on fixed assets	(160,564)	(88,751)
Tax losses available	(765,664)	(10,240)
Other timing differences	(42,011)	(385,788)
	<u>(968,239)</u>	<u>(484,779)</u>

18 GOVERNMENT GRANTS

	2002	2001
	£	£
Received and receivable:		
At 1 January 2002	29,886	29,886
At 31 December 2002	<u>29,886</u>	<u>29,886</u>
Amortisation:		
At 1 January 2002	5,290	–
Credit to profit and loss account	5,290	5,290
At 31 December 2002	<u>10,580</u>	<u>5,290</u>
Net balance at 31 December 2002	<u>19,306</u>	<u>24,596</u>

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within 1 year	–	–	–	3,628
Within 2 to 5 years	–	–	–	206,647
After more than 5 years	–	–	8,900	–
	<u>–</u>	<u>–</u>	<u>8,900</u>	<u>210,275</u>

Wadbister Salmon Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002



20 CONTINGENCIES

The company has guaranteed the borrowings of other group members which at 31 December 2002 amounted to £25,581,850 (2001: £21,617,148).

21 SHARE CAPITAL

	2002 £	2001 £
Authorised: 50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
	2002 £	2001 £
Allotted, called up and fully paid: 40,000 Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

22 PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
At 1 January 2002	(2,721,499)	(2,114,218)
Accumulated loss for the financial year	<u>(1,622,685)</u>	<u>(607,281)</u>
At 31 December 2002	<u>(4,344,184)</u>	<u>(2,721,499)</u>

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(1,622,685)	(607,281)
Opening shareholders' equity deficit	<u>(2,681,499)</u>	<u>(2,074,218)</u>
Closing shareholders' equity deficit	<u>(4,304,184)</u>	<u>(2,681,499)</u>

24 ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Hjaltland Seafarms UK Limited, a company registered in Scotland.

The largest group in which the results of the company are consolidated is that headed by Hjaltland Seafarms AS, incorporated in Norway. The consolidated accounts of this company are available to the public and may be obtained from Bronnoysundregstrene, v/Regnskapsregisteret, Postboks 1000, N-8901 Bronnoysund.

The smallest group in which they are consolidated is that headed by Hjaltland Seafarms UK Limited, incorporated in Scotland. The consolidated accounts of this company are available to the public and may be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh.

The company is exempt from the requirement of Financial Reporting Standard No 8 to disclose transactions with group companies as it is wholly owned subsidiary of Hjaltland Seafarms AS whose accounts are available at the above address.