SC98438

FRAMGORD LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2002



Johnston Carmichael
Chartered Accountants
22 Carden Place
Aberdeen
AB10 1UQ

FRAMGORD LIMITED

DIRECTOR

F W Johnson

SECRETARY

J Carlyle

REGISTERED OFFICE

Greenhead Base
Gremista
Lerwick
Shetland
ZE1 0PY

AUDITORS

Johnston Carmichael
22 Carden Place
Aberdeen
AB10 1UQ

BANKERS
Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Registered in Scotland Number 98738

FRAMGORD LIMITED

DIRECTOR'S REPORT

The director submits his report and the audited financial statements of the company for the year ended 31 January 2002.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £108,678 (2001 - loss of £1,726,289). The director does not propose to pay any dividend.

PRINCIPAL ACTIVITY

The company is engaged in the marketing and distribution of salmon.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the company are as stated below:

		31 January 2002	31 January 2001
F W Johnson	("B" Ordinary Shares of £0.01 each)	**761,800**	761,800
G Butler		-	-

G Butler resigned on 23 May 2001.

DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and 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 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FRAMGORD LIMITED

DIRECTOR'S REPORT (continued)

AUDITORS

W D Johnston & Carmichael, Chartered Accountants changed their name to Johnston Carmichael, Chartered Accountants on 1 June 2001.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Johnston Carmichael be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 20 June 2002 and signed on its behalf by

F W Johnson
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FRAMGORD LIMITED

We have audited the financial statements of Framgord Limited for the year ended 31 January 2002 as detailed on pages 5 to 20. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 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 or not 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 accounts 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.

GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in Notes 1, 15 and 27, concerning the uncertainties as to the ongoing support of the company's bankers arising from issues relating to the company's obligations under certain cross-guarantee arrangements. In view of the significance of these uncertainties, we consider that they should be drawn to your attention but 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 affairs of the company at 31 January 2002 and of the results of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ABERDEEN
24 June 2002

JOHNSTON CARMICHAEL
Registered Auditors

FRAMGORD LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2002

	Note	Continuing operations 2002 £	2001 £
TURNOVER	2	**6,439,217**	7,347,061
Operating costs	3	**(6,628,672)**	(8,093,178)
Exceptional item	4	**-**	(1,050,000)
OPERATING LOSS	5	**(189,455)**	(1,796,117)
Other income	8	**141,735**	147,596
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		**(47,720)**	(1,648,521)
Interest payable and similar charges	9	**(60,958)**	(117,377)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(108,678)**	(1,765,898)
Tax on loss on ordinary activities	10	**-**	39,609
LOSS FOR THE YEAR	20	**(108,678)**	(1,726,289)

There are no recognised gains and losses other than the loss for the above two financial years.

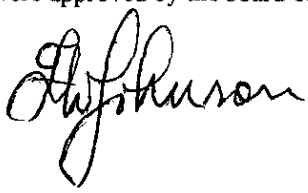
The notes on pages 8 to 20 form an integral part of these financial statements.

FRAMGORD LIMITED

BALANCE SHEET
AS AT 31 JANUARY 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	11	**48,498**	99,013
CURRENT ASSETS			
Stocks	13	**126,294**	109,515
Debtors	14	**734,555**	463,816
Cash at bank and in hand	15	**2,107,273**	2,068,561
		2,968,122	2,641,892
CREDITORS: amounts falling due within one year	16	**(2,120,741)**	(1,592,647)
NET CURRENT ASSETS		**847,381**	1,049,245
TOTAL ASSETS LESS CURRENT LIABILITIES		**895,879**	1,148,258
CREDITORS: amounts falling due after more than one year	17	**(473,625)**	(617,326)
NET ASSETS		**422,254**	530,932
CAPITAL AND RESERVES			
Called up share capital	19	**8,982**	8,982
Share premium account		**281,056**	281,056
Capital redemption reserve	20	**105,381**	105,381
Profit and loss account	20	**26,835**	135,513
EQUITY SHAREHOLDERS' FUNDS	21	**422,254**	530,932

The financial statements were approved by the board on 20 June 2002 and signed on its behalf by:

F W JOHNSON  Director

The notes on pages 8 to 20 form an integral part of these financial statements.

FRAMGORD LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2002

	Note	2002 £	2001 £
Cash inflow from operating activities	24	**90,284**	438,873
Returns on investments and servicing of finance	25	**80,777**	30,219
Taxation		**-**	(115,976)
Capital expenditure and financial investment	25	**(1,728)**	(8,173)
Cash inflow before financing		**169,333**	344,943
Financing	25	**(130,621)**	228,382
Increase in cash in year	26	**38,712**	573,325

Reconciliation of net cash flow to movement in net funds (Note 26)

	2002 £	2001 £
Increase in cash in year	**38,712**	573,325
Cash outflow (inflow) from changes in debt and finance lease and hire purchase	**130,621**	(228,382)
Movement in net funds in the year	**169,333**	344,943
Net funds at 31 January 2001	**1,340,614**	995,671
Net funds at 31 January 2002	**1,509,947**	1,340,614

The notes on pages 8 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material to the financial statements in both the current and preceding year.

ACCOUNTING CONVENTION

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

GOING CONCERN

The financial statements have been prepared under the going concern basis which assumes that the company will have adequate financial resources to enable it to trade for the foreseeable future. In assessing the appropriateness of the going concern basis, the directors have had to consider the extent of losses, the matters referred to in Notes 15 and 27 to the financial statements and, in particular, whether the company has the ongoing support of its bank to whom it had previously issued cross-guarantees in respect of the bank debts of a subsidiary and related company, both of whom are now insolvent. On the basis that an agreement has been reached with the bank subsequent to the year end, which should allow the company to continue trading for the foreseeable future, the directors have prepared the financial statements on the going concern basis.

GROUP ACCOUNTS

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

DEPRECIATION

The cost of fixed assets other than freehold land is depreciated by equal monthly instalments over the expected useful lives of the assets as follows:

Tenant's improvements	-	5 years
Motor vehicles	-	4-5 years
Fixtures, fittings, plant and equipment	-	2-20 years
Buildings	-	40-50 years

STOCKS

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow-moving items.

DEFERRED TAXATION

On adopting Financial Reporting Standard 19 this year, the company changed its deferred taxation accounting policy, although this change did not affect the financial statements for the current or preceding year.

Deferred tax is provided in full on timing differences between the incidence of income and expenditure for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered.

1 Accounting policies (continued)

FOREIGN CURRENCIES
Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract.

LEASING AND HIRE PURCHASE COMMITMENTS
Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

PENSIONS
The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

GOVERNMENT GRANTS
Government grants in respect of specific identifiable fixed assets are deducted from the costs of the related assets. Otherwise the grants are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income in the period to which they relate.

2 Analysis of turnover between markets and contributions to profit by business

A geographical split of turnover has not been disclosed nor are the profits of each class of business, as the directors consider that this would be inappropriate and prejudicial to the interests of the company.

3 Operating costs

	2002 £	2001 £
Purchases for resale	**6,096,541**	7,096,296
Movement in stock	**(16,779)**	261,360
Staff costs:		
- wages and salaries	**327,982**	399,323
- social security costs	**31,208**	38,134
- other pension costs	**33,296**	31,314
Depreciation:		
- owned assets	**52,243**	19,904
- assets held under finance lease and hire purchase contracts	**-**	40,281
Other operating charges	**104,181**	206,566
	6,628,672	8,093,178

None of the company's operations were discontinued during the year.

4 Exceptional item

The 2001 exceptional charge relates to a payment due to be made to the company's bank under an agreement reached with the bank subsequent to the year end. The agreement involves the company paying £1,050,000 to the bank in part settlement of the company's obligations under the cross-guarantee arrangements in place in respect of the bank borrowings of the company's subsidiary and a related company. For further details see Note 27.

5 Operating (loss) profit

	2002 £	2001 £
This is stated after charging (crediting):		
(Gain) loss on foreign currency exchange	**(9,788)**	3,962
Equipment hire	**6,810**	2,750
Auditors' remuneration	**14,000**	15,105
Leasehold property rents	**22,000**	22,400

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

6 Emoluments of directors

	2002 £	2001 £
The remuneration paid to the directors during the year was as follows:		
Emoluments (including benefits in kind)	**67,204**	72,012
Pension contributions	**21,600**	21,600

The company contributes to a defined contribution pension scheme on behalf of one director.

7 Staff numbers

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

	2002 No	2001 No
Management	**2**	2
Sales, clerical and administrative	**13**	17
	15	19

8 Other income

	2002 £	2001 £
Sundry interest	-	1,027
Bank interest	**141,735**	146,569
	141,735	147,596

9 Interest payable and similar charges

	2002 £	2001 £
Bank overdraft interest and charges	**8,474**	46,387
Finance lease and hire purchase interest	**3,589**	14,436
Sundry interest	**-**	2,317
Loan interest	**48,895**	54,237
	60,958	117,377

10 Taxation

	2002 £	2001 £
Current year taxation:		
UK corporation tax	-	31,518
Prior years:		
Corporation tax	-	8,091
	-	39,609

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

11 Tangible fixed assets

	Land and buildings	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£
COST				
At 31 January 2001	32,000	8,749	410,235	450,984
Additions	-	1,150	578	1,728
At 31 January 2002	**32,000**	**9,899**	**410,813**	**452,712**
DEPRECIATION				
At 31 January 2001	1,653	8,749	341,569	351,971
Charge for year	640	767	50,836	52,243
At 31 January 2002	**2,293**	**9,516**	**392,405**	**404,214**
NET BOOK VALUES				
At 31 January 2001	30,347	-	68,666	99,013
At 31 January 2002	**29,707**	**383**	**18,408**	**48,498**

The net book value of fixed assets includes £nil (2001 - £51,685) in respect of assets held under hire purchase and finance lease contracts.

12 Fixed asset investments

	£
COST	
At 31 January 2001 and 31 January 2002	55,875
AMOUNTS WRITTEN OFF	
At 31 January 2001 and 31 January 2002	(55,875)
NET BOOK VALUE	
At 31 January 2001 and 31 January 2002	-

Fixed asset investments comprise shares in a subsidiary. The subsidiary at 31 January 2002 was:

Company	Nature of business	Country of registration	Ordinary shares proportion held
Shetland Islands Smolts Limited	Salmon hatchery	Scotland	58%

12 **Fixed asset investments** (continued)

At 31 January 2002, the management accounts of Shetland Islands Smolts Limited show net liabilities of £1,748,442 and a loss for the year then ended of £456,605. The management accounts of Shetland Islands Smolts Limited have been prepared on a going concern basis, however, given the circumstances referred to in Note 27, this basis is not appropriate.

13 **Stocks**

	2002 £	2001 £
Harvested fish and fish products	**120,629**	107,382
Packing materials and consumables	**5,665**	2,133
	126,294	109,515

14 **Debtors**

	2002 £	2001 £
Trade debtors	**586,305**	327,746
Amounts due by subsidiary undertaking	**44,300**	33,592
Prepayments	**22,736**	29,721
Other debtors	**24,016**	21,447
VAT debtor	**14,900**	17,375
Amounts due by related undertaking	**10,780**	2,417
Corporation tax debtor	**31,518**	31,518
	734,555	463,816

15 **Cash at bank**

Under the arrangements agreed with the bank subsequent to the year end (Note 27), £1,050,000 of the cash at bank balance is to be paid in part settlement of the company's cross guarantee obligations and the remaining cash at bank balance will be held by the bank in a restricted fund. This restricted fund will be held by the bank until such time as the company's cross-guarantee obligations are met.

16 Creditors: amounts falling due within one year

	2002	2001
	£	£
Loans (Note 18)	**66,059**	61,606
Directors' loans (Note 18)	**57,642**	53,225
Trade creditors	**751,008**	318,905
PAYE and social security	**9,228**	10,642
Finance lease and hire purchase obligations	**-**	15,790
Accruals and deferred income	**1,220,018**	1,120,470
Other creditors	**16,786**	12,009
	2,120,741	1,592,647

17 Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Trade creditors	**-**	20,000
Loans (Note 18)	**313,789**	379,848
Directors' loans (Note 18)	**159,836**	217,478
	473,625	617,326

18 Loans

	2002 £	2001 £
Repayable within one year (Note 16)	**123,701**	114,831
Repayable between one and two years	**133,262**	123,702
Repayable between two and five years	**340,363**	388,072
Repayable in five years or more by instalments	**-**	85,552
	597,326	712,157

The company's loans have various terms of repayment and bear interest at various rates.

Included in the above loans is an amount of £379,848, owed to Shetland Development Trust, which is secured by a floating charge ranking second after the bank's security (Note 27).

19 Called up share capital

	2002 £	2001 £
Authorised:		
"A" ordinary shares of £0.01 each	**40,000**	40,000
"B" ordinary shares of £0.01 each	**10,000**	10,000
Cumulative redeemable preference shares of £1 each	**103,000**	103,000
Allotted, called up and fully paid:		
"A" ordinary shares of £0.01 each	**1,364**	1,364
"B" ordinary shares of £0.01 each	**7,618**	7,618
	8,982	8,982

Dividends accrue to the shareholders of ordinary shares under certain circumstances as specified in the articles of association.

The "A" and "B" ordinary shares have the same voting rights and their winding up rights are set out in the articles of association.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

20 Reserves

	Profit and loss account £	Capital redemption £
At 31 January 2001	135,513	105,381
Loss for year	(108,678)	-
At 31 January 2002	26,835	105,381

21 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Loss for the financial year	(108,678)	(1,726,289)
Shareholders' funds at beginning of year	530,932	2,257,221
Shareholders' funds at end of year	422,254	530,932

22 *Future commitments*

No capital expenditure had been authorised at 31 January 2002 (2001 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

23 **Related parties**

Control
During the year the company was controlled by F W Johnson, director, who owns 85% of the issued share capital.

Transactions
During the year the company had the following transactions with related parties:

Related party	Transaction	£	Balance owed to/(by) the company at 31 January 2002 £
F W Johnson	Loan from director		(217,478)
	Other amounts due to director		(10,951)
F W Johnson	Interest on loan	19,733	
Millbrook Fisheries Limited (a company in which F W Johnson has a controlling interest)	Management services and recharges	19,250	10,780
Shetland Islands Smolts Limited *(subsidiary undertaking)*	Management services and recharges	31,250	44,300

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

24 **Reconciliation of operating (loss) profit to net cash flow from operating activities**

	2002 £	2001 £
Operating loss	**(189,455)**	(1,796,117)
Depreciation	**52,243**	60,185
(Increase) decrease in stocks	**(16,779)**	261,360
(Increase) decrease in debtors	**(270,739)**	2,252,527
Increase (decrease) in creditors	**515,014**	(339,082)
Net cash inflow from operating activities	**90,284**	438,873

25 **Analysis of cash flow for headings netted in the cash flow statement**

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	**141,735**	147,596
Interest paid	**(60,958)**	(117,377)
Net cash inflow from returns on investments and servicing of finance	**80,777**	30,219
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(1,728)**	(8,173)
Net cash outflow from capital expenditure and financial investment	**(1,728)**	(8,173)
Financing		
Loan repayments	**(114,831)**	(206,202)
Loans advanced	**-**	500,000
Finance leases and hire purchase capital repayments	**(15,790)**	(65,416)
Net cash (outflow) inflow from financing	**(130,621)**	228,382

26 **Analysis of changes in net funds**

	At 31 January 2001 £	Cash flow £	Non-cash flow changes £	At 31 January 2002 £
Cash at bank and in hand	2,068,561	38,712	-	2,107,273
Debt due within one year	(114,831)	114,831	(123,701)	(123,701)
Debt due after one year	(597,326)	-	123,701	(473,625)
Finance leases and hire purchase obligations	(15,790)	15,790	-	-
	(727,947)	130,621	-	(597,326)
Net funds	1,340,614	169,333	-	1,509,947

27 **Contingent liabilities and subsequent events**

The company previously issued guarantees to its bank in respect of the borrowings of its subsidiary and a related company and at 31 January 2002 the total bank borrowings of these two companies stood at £4,643,009. The bank hold a bond and floating charge over the company's assets and hold the company's cash balance as security in respect of these obligations. At 31 January 2002, the restricted cash at bank balance held by the bank as security was £2,107,273. Further, both the company's subsidiary and related company are insolvent, such that their liabilities significantly exceed their assets and they are in the process of winding up their operations and potential buyers are actively being sought.

In light of the circumstances referred to above, an agreement has been reached with the company's bank subsequent to the year end, whereby the bank will defer calling in the full amount due to it under the cross-guarantee arrangements, but will receive £1,050,000 in the way of a part settlement now (see Note 4). In addition, a mechanism is to be put in place whereby the company will repay the residual bank debt of the hatcheries out of future trading profits of the company until such time as its obligations under the cross-guarantees are satisfied, although until that time the cross-guarantees will remain in place. This arrangement will not however prevent the bank from making further calls for a cash payment from the company, under the cross-guarantees, as profit generation allows. It should be noted that the actual level of indebtedness remaining to the bank under the cross-guarantees cannot be determined until such time as the subsidiary and related company are wound up and their assets sold. Under this arrangement, the bank will also continue to hold an element of the company's cash at bank balances as security (Note 15).