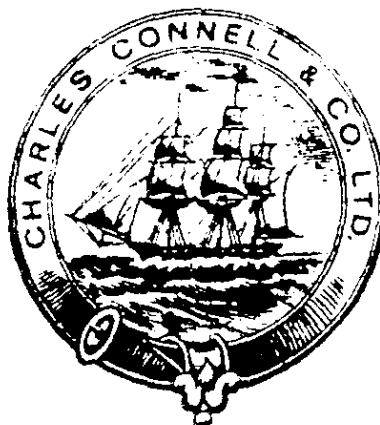


Registered



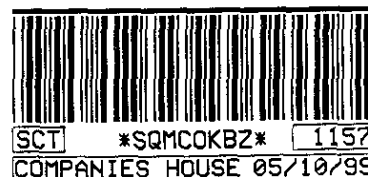
CHARLES CONNELL & CO (HOLDINGS) LTD AND SUBSIDIARIES

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

1998



DIRECTORS

C.R. CONNELL (Chairman and Managing Director)

H.C. DAVIDSON, C.A.

B.N.A. HARDMAN

SECRETARY

W.A. FARMER, C.A.

AUDITORS

ALEXANDER SLOAN & CO., C.A.
144 West George Street
GLASGOW G2 2HG

REGISTERED OFFICE

Woodend,
Craigallan,
Milngavie,
GLASGOW G62 8EN

REPORT OF THE DIRECTORS

The Directors submit their Report and Financial Statements for the year ended 31st December 1998.

REVIEW OF THE BUSINESS

The Farming Company contributed a small trading profit to the Group despite a substantial fall in cereal prices. Support payments from the EU were reduced due to the high level of Sterling in terms of the Ecu. The continuing high level of Sterling is likely to further depress cereal prices and will reduce the effect of support from Brussels.

The Broiler operations performed satisfactorily in the year, but additional expenditure will be necessary in 1999 to maintain the facilities to the standards required by the Processor.

After several years of losses in the Fish Farming Company it was decided not to introduce a crop into the sea in 1998. While this had the effect of increasing group liquidity your Directors considered it prudent to maintain substantial resources in Cash and Short Dated Government Securities in order to provide adequate finance for stocking future salmon crops and seeing them through to maturity. In addition much of the fish farming equipment was nearing the end of its economic life and would require replacing. The Fish Farming Company was also looking into the viability of expanding its range by going into the farming of halibut. Such a venture would require considerable financial investment both in stocking cages and infrastructure.

However, in early 1999 the Group received an unsolicited offer from an unconnected third party for its fish farming interests. This resulted in a sale in March 1999.

In addition, the Smolt Rearing Company, having ceased trading on 30th April 1998, was put into Members' Voluntary Liquidation.

The devaluation of the Russian Rouble in August sent shock waves across the world financial markets in the Autumn when the Company's Portfolio showed substantial losses. Fortunately, by the year-end, markets were back towards their early Summer levels.

One effect of the Russian crisis was to take the heat out of the economy enabling the Bank of England to progressively lower interest rates.

With a view to maximising the return from its funds and expand its trading base, the Group through its Subsidiary, Charles Connell & Co. Ltd. commenced writing Call Option Business.

PRINCIPAL ACTIVITIES

The main activities of the Group are Farming, Fish Farming, Forestry, Property and Investments.

The Company's principal subsidiaries and their trades and activities are set out in Note 11 to the Financial Statements on page 16.

REPORT OF THE DIRECTORS (Contd.)

RESULTS AND DIVIDENDS

The results for the Group for the year are as shown in the Group Profit and Loss Account on page 7. During the year Dividends were paid on the Preference Shares and the Directors declared a Foreign Income Dividend of 80p per Ordinary Share and a Dividend of 5p per Ordinary Share which were both paid on 7th April 1998. It is not proposed to recommend payment of a Final Dividend.

The cost of the Dividends amounted to:

	£
Preference Dividends	19,188
Ordinary Dividends	46,064
	<hr/>
	<u>65,252</u>

The profit retained by the Group amounted to £481,850 and has been added to reserves.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their interests in the Share Capital of the Company were as follows:-

		Ordinary Shares of £5 each	6% Preference Share of £2.50 each
C.R. CONNELL (including wife's shareholding)	At 31.12.98 & 31.12.97	3,363 (Beneficial) 12,013 (As Trustee)	78,000 (Beneficial) 23,660 (As Trustee)
H.C. DAVIDSON	At 31.12.98 & 31.12.97	NIL	NIL
B.N.A. HARDMAN	At 31.12.98 & 31.12.97	NIL	NIL

CHARITABLE DONATIONS

During the year the Group made donations of £3,378 to Charitable Organisations.

REPORT OF THE DIRECTORS (Contd.)

POST BALANCE SHEET EVENTS

Connell Fish Farming Limited

On 16th March 1999 the Company sold Connell Fish Farming Limited, a wholly owned subsidiary. The consideration paid for the Company amounted to £522,233.

Melfort Salmon Ltd.

On 16th March 1999 the Company sold its 50% holding in Melfort Salmon Ltd. for a sum of £171,500.

Pension Scheme

During April 1999 the Group's staff pension scheme ceased to operate and is in the process of being wound up.

AUDITORS

A resolution to re-appoint Alexander Sloan & Co., C.A. as Auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



W.A. FARMER, C.A.
Secretary

Woodend,
Craigallan,
Milngavie,
Glasgow, G62 8EN

28th May 1999

YEAR ENDED 31st DECEMBER 1998

STATEMENT OF 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 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:-

- * select suitable accounting policies and then apply them consistently;
- * make judgments 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;
- * 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.

The Directors confirm that the Financial Statements comply with the above requirements.

CHARLES CONNELL & COMPANY (HOLDINGS) LIMITED

We have audited the Financial Statements on page 7 to 22 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

Respective Responsibilities of Directors and Auditors

As described on page 5, the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with 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 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 of the state of the Company's and the Group's affairs as at 31st December 1998 and of the results of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ALEXANDER SLOAN & CO., C.A.
Registered Auditors

GLASGOW, 28th May 1999

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1998

	Notes	£	1998 £	£	1997 £
Turnover	2				
Continuing operations			1,582,290		1,370,000
Discontinuing operations			<u>1,398,949</u>		<u>1,578,162</u>
			2,981,239		2,948,162
Cost of Sales	3		<u>(2,435,147)</u>		<u>(2,947,344)</u>
Gross Profit			546,092		818
Distribution Costs		226,575		98,932	
Administration Expenses	4	<u>880,174</u>		<u>875,342</u>	
			<u>1,106,749</u>		<u>974,274</u>
			(560,657)		(973,456)
Other Operating Income	5		<u>149,030</u>		<u>152,026</u>
Operating Loss					
Continuing operations		(147,387)		(478,315)	
Discontinuing operations		<u>(264,240)</u>		<u>(343,115)</u>	
			(411,627)		(821,430)
Investment Income less					
Interest Payable	6		989,487		1,400,405
Associated Undertaking	11		<u>(2,459)</u>		<u>-</u>
Profit on ordinary activities before Taxation	2		575,401		578,975
Taxation	7		<u>28,422</u>		<u>60,095</u>
Profit on ordinary activities after Taxation			546,979		518,880
Minority Interest			<u>123</u>		<u>(10)</u>
Profit Attributable to Members of the Holding Company			547,102		518,870
Dividends Paid	8		<u>65,252</u>		<u>65,252</u>
Retained Profit for Year	18		<u>481,850</u>		<u>453,618</u>

STATEMENT OF RETAINED PROFITS

Retained Profit for the year		481,850	453,618
Retained Profits at beginning of year		<u>16,009,043</u>	<u>15,555,425</u>
Retained Profits at year end	18	<u>16,490,893</u>	<u>16,009,043</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 1998

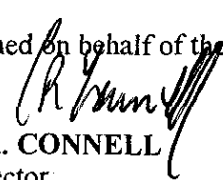
The Group made no recognised gains or losses in the years ended 31st December 1998 or 1997 other than the profit for the year.

GROUP BALANCE SHEET

AS AT 31st DECEMBER 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible Assets	1 & 9		2,148,282		2,240,941
Intangible Assets	1 & 10		5,675		8,526
Investments	11		60,927		17,441
			<hr/>		<hr/>
			2,214,884		2,266,908
CURRENT ASSETS					
Stocks	12	229,828		1,014,290	
Debtors	13	546,653		899,104	
Investments	11	12,601,174		10,154,862	
Short Term Deposits		4,670,455		5,535,791	
Cash at Bank and in Hand		126,026		112,013	
			<hr/>	<hr/>	
			18,174,136		17,716,060
CREDITORS - Amounts falling due within one year	14	517,517		472,370	
			<hr/>	<hr/>	
NET CURRENT ASSETS			17,656,619		17,243,690
TOTAL ASSETS LESS CURRENT LIABILITIES			<hr/>	<hr/>	
			19,871,503		19,510,598
CREDITORS - Amounts falling due after more than one year	14		19,839		-
			<hr/>	<hr/>	
			19,851,664		19,510,598
PROVISIONS FOR LIABILITIES AND CHARGES	15		1,000		16,889
DEFERRED INCOME	16		7,302		132,197
			<hr/>	<hr/>	
			<u>19,843,362</u>		<u>19,361,512</u>
SHARE CAPITAL AND RESERVES					
Called up Share Capital	17		590,775		590,775
Reserves	18		19,252,587		18,770,737
			<hr/>	<hr/>	
TOTAL SHAREHOLDERS' FUNDS	22		<u>19,843,362</u>		<u>19,361,512</u>
Equity Shareholders' Funds			19,523,552		19,041,702
Non-equity Shareholders' Funds			319,810		319,810
			<hr/>	<hr/>	
			<u>19,843,362</u>		<u>19,361,512</u>

Signed on behalf of the Board on 28th May 1999.

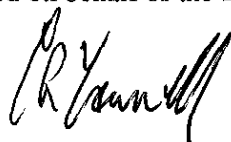

 C.R. CONNELL
 Director

BALANCE SHEET

AS AT 31st DECEMBER 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible Assets	9		144,301		144,301
Investments in Subsidiary Undertakings	11		1,200,556		2,234,556
Trade Investment			500		-
			<hr/>		<hr/>
			1,345,357		2,378,857
CURRENT ASSETS					
Debtors	13	265,809		544,861	
Investments	11	9,824,841		9,192,440	
Short Term Deposits		4,526,804		5,295,846	
Cash at Bank		-		2,375	
			<hr/>	<hr/>	
			14,617,454		15,035,522
CREDITORS - Amounts falling due within one year	14	4,909,745		6,849,383	
			<hr/>	<hr/>	
NET CURRENT ASSETS			9,707,709		8,186,139
			<hr/>	<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			11,053,066		10,564,996
CREDITORS - Amounts falling due after more than one year					
	14		13,321		-
			<hr/>	<hr/>	
			<u>11,039,745</u>		<u>10,564,996</u>
SHARE CAPITAL AND RESERVES					
Called up Share Capital	17		590,775		590,775
Reserves	18		10,448,970		9,974,221
			<hr/>	<hr/>	
TOTAL SHAREHOLDERS' FUNDS			<u>11,039,745</u>		<u>10,564,996</u>
Equity Shareholders' Funds					
			10,719,935		10,245,186
Non-equity Shareholders' Funds			319,810		319,810
			<hr/>	<hr/>	
			<u>11,039,745</u>		<u>10,564,996</u>

Signed on behalf of the Board on 28th May 1999.


C.R. CONNELL
Director

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 1998

	Notes	£	1998 £	£	1997 £
Net Cash Inflow/(Outflow) from Operating Activities	20a)		599,396		(437,422)
Returns on Investments and Servicing of Finance					
Investment Income		752,066		664,222	
Interest Paid		(1,353)		(7,085)	
Non Equity Dividends Paid		(19,188)		(19,188)	
			731,525		637,949
Taxation	20b)		(4,435)		85,200
Capital Expenditure					
Purchase of Tangible Fixed Assets		(75,602)		(159,193)	
Proceeds of Sale of Tangible Fixed Assets		16,599		87,983	
			(59,003)		(71,210)
Equity Dividends Paid			(46,064)		(46,064)
Management of Liquid Resources					
Investments Purchased		(10,481,489)		(8,830,896)	
Proceeds from Sales of Investments		8,477,381		10,324,274	
Payments out of/(into) Short Term Deposits		743,127		(1,825,615)	
Currency Losses		(9,555)		(69,136)	
			(1,270,536)		(401,373)
Financing					
Bank Loan Repaid		-		(150,000)	
Partners Capital		(59,079)		-	
			(59,079)		(150,000)
(Decrease) in Cash	20c)		<u>(108,196)</u>		<u>(382,920)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1998

1. ACCOUNTING POLICIES

- a) The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. No Profit and Loss Account is presented for the Parent Company as permitted by Section 228 of the Companies Act 1985.

The Group Financial Statements comprise a consolidation of the Parent Company and all its Subsidiary Undertakings.

b) **Deferred Taxation**

Provision is made for taxation (at the rate of 31%) which is deferred because of those timing differences which may give rise to taxation liabilities in the foreseeable future.

c) **Stocks**

Stocks have been valued at the lower of average cost and net realisable value.

d) **Depreciation**

Buildings, wells, plant and machinery are depreciated down to their estimated residual values at the end of their useful lives. The estimated useful lives of the assets are as follows:-

Buildings	- 10 to 50 years
Wells, Plant and Machinery	- 5 to 15 years
Quotas	- 5 years

In the case of Land, no depreciation is provided. The Group's London property has not been depreciated as required by SSAP 12 as in the opinion of the Directors the value of the property has appreciated substantially and the property is maintained to a high standard. Depreciation has been provided on Quotas to write down these assets to the estimated residual value by the year 2000.

e) **Foreign Currencies**

The value of Current Assets and Liabilities in currencies other than sterling have been converted at the rate ruling on 31st December 1998.

f) **Grants**

Agricultural Grants received are credited to the Profit and Loss Account by annual instalments over the useful lives of the assets. Other capital grants were credited to a Grants Reserve when they were received. Grants of a revenue nature are credited to income in the period to which they relate.

g) **Leasing**

Assets held under Hire Purchase Contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Operating lease rentals are charged to the Profit and Loss Account on an annual basis.

h) **Pension Scheme**

Contributions to the Group's pension scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over employees' service lives with the Company.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

2. ANALYSIS OF TURNOVER AND PROFIT

	Turnover £	1998 Profit £	Turnover £	1997 Profit £
Farming and Fish Farming	2,710,702	(106,524)	2,948,162	(421,876)
Investment	270,537	681,925	-	1,000,851
	<u>2,981,239</u>	<u>575,401</u>	<u>2,948,162</u>	<u>578,975</u>

3. COST OF SALES

	1998 £	1997 £
Depreciation	138,996	232,391
Leasing Charges	549	549
Other Costs	2,295,602	2,714,404
	<u>2,435,147</u>	<u>2,947,344</u>

4. ADMINISTRATION EXPENSES

Directors' Remuneration (excluding benefits)	451,427	337,651
Auditors' Remuneration	14,365	16,500
Depreciation	16,586	17,056
Other Expenses	397,796	504,135
	<u>880,174</u>	<u>875,342</u>

Directors' Remuneration

For Services as Director	10,000	10,000
For Executive Services	504,979	391,858
	<u>514,979</u>	<u>401,858</u>

Emoluments of the Chairman and Highest Paid
Director (excluding Pension Contributions)

<u>493,777</u>	<u>378,005</u>
----------------	----------------

Employees

The average number of employees (excluding non-Executive
Directors) during the year is made up as follows:

	Number	Number
Production	29	32
Management and Administration	<u>10</u>	<u>10</u>
	<u>39</u>	<u>42</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

4. ADMINISTRATION EXPENSES (Contd.)	1998	1997
Employees (Contd.)		
Staff Costs for the above employees during the year amounted to:-	£	£
Wages and Salaries	1,053,196	942,768
Social Security Costs	106,039	90,620
Other Pension Costs	27,335	39,169
	<u>1,186,570</u>	<u>1,072,557</u>
5. OTHER OPERATING INCOME		
Gains on Sales of Fixed Assets	75,831	86,049
Income from Commercial Woodlands	7,840	4,655
Management Charges Receivable	23,491	11,505
Rents	28,415	800
Grants	13,453	49,017
	<u>149,030</u>	<u>152,026</u>
6. INVESTMENT INCOME LESS INTEREST PAYABLE		
Interest and Dividends Receivable - Listed Investments	569,649	474,631
Interest Receivable - Other	184,924	229,511
(Losses) on Exchange	(9,555)	(69,136)
(Losses)/Gains on Sales of Investments	(85,590)	1,039,201
Portfolio Investments Provision	288,121	(288,121)
Surplus on Loan Relationship	43,138	20,486
	<u>990,687</u>	<u>1,406,572</u>
Interest Payable:-		
on Bank Loan and Overdrafts wholly repayable within five years	(1,200)	(6,167)
	<u>989,487</u>	<u>1,400,405</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

7. TAXATION

1998
£

1997
£

The charge for the year comprises:-

Current Year

Corporation Tax at 31% (1997 - 31.5%)

Overseas Tax

Deferred Tax

Advance Corporation Tax

Prior Year

Corporation Tax

Deferred Tax

28,422

60,095

8. DIVIDENDS

Preference - Paid 30th June 1998

- Paid 22nd December 1998

Ordinary - Interim Paid 7th April 1998

65,252

65,252

9. TANGIBLE FIXED ASSETS

GROUP

Freehold,
Farmland,
Woodland &
Buildings
£

Water
Wells
£

Leasehold
Property
Long
£

Short
£

Plant,
Vehicles
& Fittings
£

Total
£

Cost

At 1.1.98

Additions

Disposals

At 31.12.98

Aggte. Depreciation

At 1.1.98

On Disposals

Charge for Year

At 31.12.98

Net Book Values

At 31.12.98

At 31.12.97

2,527,880

109,347

127,178

82,797

2,814,047

5,661,249

17,745

-

-

-

70,893

88,638

(18,114)

(109,347)

-

-

(488,900)

(616,361)

2,527,511

-

127,178

82,797

2,396,040

5,133,526

785,201

109,347

-

71,338

2,454,422

3,420,308

-

(109,347)

-

-

(478,448)

(587,795)

12,188

-

-

4,973

135,570

152,731

797,389

-

-

76,311

2,111,544

2,985,244

1,730,122

-

127,178

6,486

284,496

2,148,282

1,742,679

-

127,178

9,959

361,125

2,240,941

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

9. TANGIBLE FIXED ASSETS (Contd.)

Included in Plant, Vehicles and Fittings, are assets acquired under Hire Purchase Contracts, which have a Net Book Value of £25,941 (1997 : £21,303). The depreciation charge for the year is £2,612.

	Freehold, Farmland, Woodland & Buildings £	Total £
COMPANY		
Cost		
At 1.1.98	144,301	144,301
Disposal	(90,000)	(90,000)
Transfer In	90,000	90,000
	<hr/>	<hr/>
At 31.12.98	<u>144,301</u>	<u>144,301</u>
 Net Book Value		
At 31.12.98 & 31.12.97	<u>144,301</u>	<u>144,301</u>

10. INTANGIBLE FIXED ASSETS

	Quotas £
GROUP	
Cost	
At 1st January 1998 & 31st December 1998	<u>14,227</u>
 Depreciation	
At 1st January 1998	5,701
Charge for year	2,851
	<hr/>
At 31st December 1998	<u>8,552</u>
 Net Book Value	
At 31st December 1998	<u>5,675</u>
At 31st December 1997	<u>8,526</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

11. INVESTMENTS	1998 £	1997 £
GROUP		
Trade	501	501
Property Development Partnership at Directors' valuation	7,572	16,940
Associated Company	<u>52,854</u>	<u>-</u>
	<u>60,927</u>	<u>17,441</u>
Listed at cost less provision (Market Value - £13,836,412, 1997 - £10,100,313)	12,561,145	10,114,833
Unlisted at Cost (Directors' Valuation - £126,080, 1997 - £67,360)	<u>40,029</u>	<u>40,029</u>
	<u>12,601,174</u>	<u>10,154,862</u>
COMPANY		
Subsidiary Undertakings Shares at Cost or Directors' Valuation if lower	1,200,556	1,584,556
Loan Notes at cost	<u>-</u>	<u>650,000</u>
	<u>1,200,556</u>	<u>2,234,556</u>
Listed at cost less provision (Market Value - £10,829,427, 1997 - £9,205,091)	9,824,812	9,192,411
Unlisted at Cost (Directors' Valuation £80, 1997 - £160)	<u>29</u>	<u>29</u>
	<u>9,824,841</u>	<u>9,192,440</u>

The Subsidiary Undertakings which, in the opinion of the Directors, principally affected the Group Accounts are:-

Subsidiary Undertaking	Country of Incorporation	Class of Shares	Proportion Held	Activity
Bodies Corporate				
Charles Connell & Co. Ltd.	Scotland	Ordinary Preference	100% 100%	Group Management
Charles Connell & Co. (Colquhalzie Farms) Ltd.	Scotland	Ordinary	100%	Farming
Connell Fish Farming Ltd.	Scotland	Ordinary Preference Deferred	100% 100% 75%	Fish Farming
The Earn Shipping Co. Ltd.	England	Ordinary	100%	Investment Company
Craigallian Realty Ltd.	Scotland	Ordinary	100%	Property Development

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

11. INVESTMENTS (Contd.)

Associated Undertakings	Share of Net Tangible Assets £
Capital Investment	57,647
Share of Loss retained by Associate	(4,793)
	<hr/>
At 31st December 1998	<u>52,854</u>

The Company owns 49% of the Farming Partnership based at Ladyston.

The group share of loss in Associate amounted to £2,459.

12. STOCKS	1998 £	1997 £
Raw Materials and Stores	25,709	60,750
Livestock	122,350	155,746
Growing Stocks and Finished Goods	81,769	797,794
	<hr/>	<hr/>
	<u>229,828</u>	<u>1,014,290</u>

13. DEBTORS	1998 £	Group 1997 £	1998 £	Company 1997 £
Amounts falling due within one year:-				
Trade Debtors	220,481	181,036	-	-
Taxation Recoverable	34,230	2,147	34,230	806
Other Debtors	159,511	486,075	126,491	345,177
Prepayments and Accrued Income	132,431	217,036	105,088	186,068
	<hr/>	<hr/>	<hr/>	<hr/>
	546,653	886,294	265,809	532,051
Amount falling due after one year:-				
Loan Relationship Deferred Surplus	-	12,810	-	12,810
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>546,653</u>	<u>899,104</u>	<u>265,809</u>	<u>544,861</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

14. CREDITORS

	1998	Group 1997	1998	Company 1997
	£	£	£	£
Amounts falling due within one year:-				
Trade Creditors	114,227	177,868	-	-
Other Creditors	34,213	208,992	25,681	184,770
Hire Purchase	6,518	-	-	-
Taxation	5,120	12,500	-	2,500
Other Taxes and Social Security	60,353	21,999	-	-
Accruals and Deferred Income	297,086	51,011	17,341	14,885
Amounts owed to Subsidiary Undertakings	-	-	4,866,723	6,647,228
	<u>517,517</u>	<u>472,370</u>	<u>4,909,745</u>	<u>6,849,383</u>
Amounts falling due after one year:-				
Hire Purchase	6,518	-	-	-
Loan Relationship Deferred Deficit	13,321	-	13,321	-
	<u>19,839</u>	<u>-</u>	<u>13,321</u>	<u>-</u>

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

Capital Allowances

As at 1st January 1998	12,000	-	-	-
(Decrease)/Increase in Provision	(12,000)	12,000	-	-
	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
As at 31st December 1998	-	12,000	-	-
Equity Minority Interest	1,000	4,889	-	-
	<u>1,000</u>	<u>16,889</u>	<u>-</u>	<u>-</u>

16. DEFERRED INCOME

Capital Grants	7,302	20,755	-	-
Pension Scheme (Note 21)	-	111,442	-	-
	<u>7,302</u>	<u>132,197</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

17. CALLED UP SHARE CAPITAL	1998 £	1997 £
Authorised	<u>1,500,000</u>	<u>1,500,000</u>
Allotted, Issued and Fully Paid		
54,193 Ordinary Shares of £5 each	270,965	270,965
127,924 6% Non-Cumulative Non-Redeemable Preference Shares of £2.50 each	319,810	319,810
	<u>590,775</u>	<u>590,775</u>

Preference Shares

The non-cumulative preference shares are non-equity shares which carry an entitlement to a dividend at a rate of 6.0p (net) per annum. Every holder of a preference share shall be entitled to receive notice of and to attend and to vote at any general meeting and shall be entitled to one vote in respect of each preference share held.

18. RESERVES	Capital Redemption Reserve Fund £	Consolidation Reserve £	Capital Grants Reserve £	Profit and Loss Account £	Total £
Group					
As at 1.1.98	759,225	1,635,856	366,613	16,009,043	18,770,737
Retained Profit for Year	-	-	-	481,850	481,850
	<u>759,225</u>	<u>1,635,856</u>	<u>366,613</u>	<u>16,490,893</u>	<u>19,252,587</u>
As at 31.12.98	<u>759,225</u>	<u>1,635,856</u>	<u>366,613</u>	<u>16,490,893</u>	<u>19,252,587</u>
			Capital Redemption Reserve Fund £	Profit and Loss Account £	Total £
Company					
As at 1st January 1998			759,225	9,214,996	9,974,221
Retained Profit for Year			-	474,749	474,749
			<u>759,225</u>	<u>9,689,745</u>	<u>10,448,970</u>
As at 31st December 1998			<u>759,225</u>	<u>9,689,745</u>	<u>10,448,970</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

19. COMMITMENTS FOR CAPITAL EXPENDITURE

	1998 £	Group 1997 £	1998 £	Company 1997 £
At 31st December 1998 the Group had entered into the following commitments for expenditure of a capital nature not provided for in the Accounts:-				
Authorised and contracted for	—	—	—	—
Authorised and not contracted for	<u>100,000</u>	—	—	—

20. CASH FLOW STATEMENT

	1998 £	1997 £
a) Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities		
Operating Loss	(411,627)	(821,430)
Depreciation	155,582	249,447
Gain on Sale of Fixed Assets	(75,831)	(86,049)
Transfer from Grants	(13,453)	(49,011)
Pension Scheme	(111,442)	25,316
Stock Decrease	784,462	485,055
Debtors Decrease	73,539	221,835
Creditors Increase/(Decrease)	198,166	(462,585)
Net Cash Inflow/(Outflow) from Operating Activities	<u>599,396</u>	<u>(437,422)</u>
b) Net Cash Inflow on Taxation		
Corporation Tax Paid	(7,398)	(1,716)
Corporation Tax Recovered	-	54,697
Overseas Tax Repaid	2,963	1,588
Income Tax Recovered	-	30,631
	<u>(4,435)</u>	<u>85,200</u>
c) Reconciliation of Net Cash Flow to Movement in Net Funds/(Debt)		
(Decrease) in Cash in the Year	(108,196)	(382,920)
Loans Repaid in the Year	-	150,000
Change in Net Funds	(108,196)	(232,920)
Net Funds at 1st January 1998	308,164	541,084
Net Funds at 31st December 1998	<u>199,968</u>	<u>308,164</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

20. CASH FLOW STATEMENT (Contd.)

d) Analysis of Changes in Net Funds	As at 1.1.98 £	Cash Flows £	As at 31.12.98 £
Cash at Bank and in Hand	<u>308,164</u>	<u>(108,196)</u>	<u>199,968</u>
e) Liquid Resources			
Charles Connell & Company (Holdings) Limited includes as liquid resources term deposits of less than a year and stocks and shares.			

21. PENSION SCHEME

The Group's staff pension scheme provides benefits payable to members and their dependents on a defined benefit basis. All contributions are invested in a group deferred annuity contract with an insurance company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1st January 1997. The major assumptions used are those relating to the rate of return on investments (8½% per annum) and the rate of increase in salaries (6½% per annum). The actuarial valuation showed a surplus of the scheme's assets over the benefits accruing to members. Part of this surplus has been allocated to finance the improvements in benefits for Limited Price Indexation required by the Pensions Act 1995 and increases in existing pensions.

The balance of the surplus has been used to finance a three year partial holiday in the employers contributions. The pension cost (credited)/charged in the Profit and Loss Account amounted to £(111,442) (1997 - £25,316). The deferred income has been released to the Profit and Loss Account as the pension scheme is being wound up.

In addition, the Group also operates a defined contribution scheme for the benefit of a Director. The employers contribution for the year was £11,202 (1997 - £13,853).

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Retained Profit for the year	<u>481,850</u>	<u>453,618</u>
Net Increase in Shareholders' Funds	481,850	453,618
Opening Shareholders' Funds	19,361,512	18,907,894
Closing Shareholders' Funds	<u>19,843,362</u>	<u>19,361,512</u>

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31st DECEMBER 1998

23. POST BALANCE SHEET EVENTS

a) **Connell Fish Farming Limited**

On 16th March 1999 the Company sold Connell Fish Farming Limited, a wholly owned subsidiary. The consideration paid for the Company amounted to £522,233.

b) **Melfort Salmon Ltd.**

On 16th March 1999 the Company sold its 50% holding in Melfort Salmon Ltd. for a sum of £171,500.

c) **Pension Scheme**

During April 1999 the Group's staff pension scheme ceased to operate and is in the process of being wound up.

24. OPERATING LEASE COMMITMENTS

	1998		1997	
	Land & Buildings £	Other £	Land & Buildings £	Other £
In one year or less	8,333	-	7,917	-
Within two to five years	-	2,785	-	2,785
	<hr/>	<hr/>	<hr/>	<hr/>