

SL/27590

SHETLAND ISLANDS SMOLTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2001



Johnston Carmichael
Chartered Accountants
22 Carden Place
Aberdeen
AB10 1UQ

SHETLAND ISLANDS SMOLTS LIMITED

DIRECTORS

F W Johnson
S Polson
J I Polson
A S J Polson
A Polson Jnr
W M Williamson

SECRETARY

S M Fullerton

REGISTERED OFFICE

Greenhead Base
Gremista
Lerwick
Shetland
ZE1 OPY

AUDITORS

Johnston Carmichael
22 Carden Place
Aberdeen
AB10 1UQ

BANKERS

Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Registered in Scotland Number 127590

SHETLAND ISLANDS SMOLTS LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 January 2001.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5. The directors propose that no dividend be paid.

PRINCIPAL ACTIVITY

The principal activity of the company is that of a salmon hatchery.

DIRECTORS AND DIRECTORS' INTERESTS

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

	Ordinary shares of £1 each	
	<u>2001</u>	<u>2000</u>
F W Johnson	-	-
S Polson	5,000	5,000
J I Polson	5,000	5,000
A S J Polson	5,000	5,000
A Polson Jnr	5,000	5,000
W M Williamson	12,500	12,500

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 of the profit or loss of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHETLAND ISLANDS SMOLTS LIMITED

DIRECTORS' REPORT

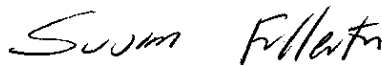
AUDITORS

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 is prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 28 March 2002 and signed on its behalf by



S M Fullerton
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SHETLAND ISLANDS SMOLTS LIMITED

We have audited the financial statements of Shetland Islands Smolts Limited as detailed on pages 5 to 14. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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.

BASIS OF OPINION

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.

ADVERSE OPINION

The accounts have been prepared on a going concern basis. However the company is insolvent, such that its liabilities significantly exceed its assets, is in the process of winding up its operations, and potential buyers are actively being sought.

In our opinion, in light of the above, the going concern basis is inappropriate and the company's assets and liabilities should be restated, as required, on the basis that the company is no longer a going concern. The accounts do not include any adjustments that would be required as a result of such restatement and in our opinion, any such adjustments would be material to the accounts.

In view of the effect of the above, in our opinion, the accounts do not give a true and fair view of the state of the company's affairs as at 31 January 2001 and of its loss for the year then ended. In all other aspects, in our opinion, the accounts have been properly prepared in accordance with the Companies Act 1985.

ABERDEEN
28 March 2002

JOHNSTON CARMICHAEL
Registered Auditors

SHETLAND ISLANDS SMOLTS LIMITED

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 31 JANUARY 2001**

	<u>Note</u>	<u>Continuing Operations</u>	
		<u>2001</u>	<u>2000</u>
		<u>£</u>	<u>£</u>
TURNOVER	2	605,290	494,829
Operating costs	3	<u>(896,229)</u>	<u>(711,224)</u>
OPERATING LOSS	4	(290,939)	(216,395)
Interest payable and similar charges	6	<u>(202,810)</u>	<u>(140,719)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(493,749)	(357,114)
Taxation	7	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR	18	<u><u>(493,749)</u></u>	<u><u>(357,114)</u></u>

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

The notes on pages 7 to 14 form an integral part of these financial statements.

SHETLAND ISLANDS SMOLTS LIMITED

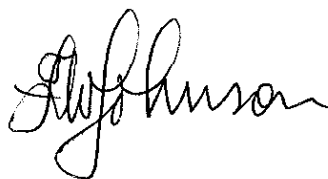
BALANCE SHEET **AS AT 31 JANUARY 2001**

	<u>Note</u>	<u>2001</u> £	<u>2000</u> £
FIXED ASSETS			
Tangible assets	8	<u>1,249,420</u>	<u>1,302,474</u>
CURRENT ASSETS			
Stocks	9	<u>114,640</u>	337,927
Debtors	10	<u>57,303</u>	236,847
Cash in hand		<u>-</u>	<u>310</u>
		<u>171,943</u>	<u>575,084</u>
CREDITORS: amounts falling due within one year	11	<u>(2,584,361)</u>	<u>(2,536,284)</u>
NET CURRENT LIABILITIES		<u>(2,412,418)</u>	<u>(1,961,200)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,162,998)</u>	<u>(658,726)</u>
CREDITORS: amounts falling due after more than one year	13	-	(2,801)
ACCRUALS AND DEFERRED INCOME	14	<u>(128,839)</u>	<u>(136,561)</u>
NET LIABILITIES		<u><u>(1,291,837)</u></u>	<u><u>(798,088)</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	<u>80,000</u>	80,000
Grant reserves		<u>28,500</u>	28,500
Profit and loss account	18	<u>(1,400,337)</u>	<u>(906,588)</u>
SHAREHOLDERS' DEFICIT	18	<u><u>(1,291,837)</u></u>	<u><u>(798,088)</u></u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 28 March 2002 and signed on its behalf by:

F W JOHNSON



Director

The notes on pages 7 to 14 form an integral part of these financial statements.

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

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 in accordance with applicable accounting standards.

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:

Buildings	-	40 years
Plant and equipment	-	10-20 years
Motor vehicles	-	5 years

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost of fish stocks is determined by inclusion of all direct expenditure and production overheads based on the normal activity incurred in bringing the smolts to their present location and condition.

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

GOVERNMENT GRANTS

Government grants on capital expenditure are credited to a deferred income account and are released to profit over the expected useful life of the relevant asset.

Grants of a revenue nature are credited to income in the period to which they relate.

LEASING AND HIRE PURCHASE CONTRACTS

Tangible fixed assets acquired under hire purchase contracts are capitalised at the estimated fair value at the date of inception of each contract. Total finance charges are allocated over the period of the contract in accordance with the straight line method. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

2 Turnover

Turnover relates to one continuing activity and no geographical analysis is considered necessary.

3 Operating costs

	<u>2001</u> £	<u>2000</u> £
Decrease (increase) in stock	223,287	(46,251)
Purchases	117,674	143,141
Staff costs:		
- wages and salaries	125,664	168,787
- social security	13,248	14,216
- pension costs	3,000	750
Depreciation:		
- on owned assets	127,584	93,896
- on assets held under hire purchase contracts	5,694	35,338
Grant amortisation	(12,950)	(12,760)
Other operating charges	293,028	314,107
	<u>896,229</u>	<u>711,224</u>

4 Operating loss

	<u>2001</u> £	<u>2000</u> £
Is stated after charging:		
Auditors' remuneration	2,695	3,750
Equipment hire	10,138	14,062

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

5 Staff numbers

The average number of persons employed by the company during the year was follows

	<u>2001</u> <u>No</u>	<u>2000</u> <u>No</u>
Production, distribution and sales	<u>9</u>	<u>11</u>

6 Interest payable and similar charges

	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Bank overdraft interest	200,030	131,473
Hire purchase interest	1,831	8,540
Loan interest	370	-
Other interest	<u>579</u>	<u>706</u>
	<u>202,810</u>	<u>140,719</u>

7 Taxation

No charge to taxation arises because of trading losses incurred.

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

8 Tangible fixed assets

	<u>Land & buildings</u> £	<u>Plant & equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
COST				
At 31 January 2000	508,694	1,230,655	26,945	1,766,294
Additions	18,170	59,843	2,483	80,496
Disposals	-	(418)	-	(418)
At 31 January 2001	<u>526,864</u>	<u>1,290,080</u>	<u>29,428</u>	<u>1,846,372</u>
DEPRECIATION				
At 31 January 2000	68,963	385,214	9,643	463,820
Charge for year	13,019	113,628	6,631	133,278
On disposals	-	(146)	-	(146)
At 31 January 2001	<u>81,982</u>	<u>498,696</u>	<u>16,274</u>	<u>596,952</u>
NET BOOK VALUES				
At 31 January 2000	<u>439,731</u>	<u>845,441</u>	<u>17,302</u>	<u>1,302,474</u>
At 31 January 2001	<u>444,882</u>	<u>791,384</u>	<u>13,154</u>	<u>1,249,420</u>

The net book value of motor vehicles above includes £12,374 (2000 - £15,585) in respect of assets held under hire purchase contracts.

9 Stocks

	<u>2001</u> £	<u>2000</u> £
Ova and fry	114,640	325,727
Medicine	-	12,200
	<u>114,640</u>	<u>337,927</u>

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

10 Debtors

	<u>2001</u>	<u>2000</u>
	£	£
Trade debtors	(954)	51,886
Amounts owed by parent undertaking	-	39,704
Amounts owed by related undertaking	45,555	132,524
Other debtors	2,667	-
Prepayments and accrued income	334	-
VAT repayable	9,701	12,733
	<u>57,303</u>	<u>236,847</u>

11 Creditors: amounts falling due within one year

	<u>2001</u>	<u>2000</u>
	£	£
Bank overdraft (Note 12)	2,402,703	2,227,463
Trade creditors	84,398	119,470
Amounts owed to parent undertaking	33,592	4,806
Amounts owed to related undertaking	1,452	106,391
Accruals and deferred income	24,156	22,012
Other taxes and social security	2,258	3,493
Hire purchase contracts (Note 15)	2,802	39,649
Directors' loans (Note 16)	13,000	13,000
Other loans (Note 16)	20,000	-
	<u>2,584,361</u>	<u>2,536,284</u>

12 Securities

The company has granted securities to its bankers in terms of a bond and floating charge. The bank also hold cross guarantees in respect of all borrowings of this company, Framgard Limited and Millbrook Fisheries Limited.

13 Creditors: amounts falling due after more than one year

	<u>2001</u>	<u>2000</u>
	£	£
Hire purchase contracts (Note 15)	-	2,801

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

14 Accruals and deferred income

	<u>2001</u>	<u>2000</u>
	£	£
Represents deferred government grants as follows:		
At 31 January 2000	136,561	146,948
Received during the year	5,228	2,373
Amortisation for year	<u>(12,950)</u>	<u>(12,760)</u>
At 31 January 2001	<u>128,839</u>	<u>136,561</u>

15 Obligations under hire purchase contracts

	<u>2001</u>	<u>2000</u>
	£	£
The maturity of these amounts is as follows:		
Amounts payable:		
Within one year	2,872	41,480
In two to five years inclusive	<u>-</u>	<u>2,872</u>
	2,872	44,352
Less: finance charges allocated to future periods	<u>(70)</u>	<u>(1,902)</u>
	<u>2,802</u>	<u>42,450</u>
	<u>2001</u>	<u>2000</u>
	£	£
Hire purchase contracts are analysed as follows:		
Current obligations (Note 11)	2,802	39,649
Non-current obligations (Note 13)	<u>-</u>	<u>2,801</u>
	<u>2,802</u>	<u>42,450</u>

16 Loans

	<u>2001</u>	<u>2000</u>
	£	£
Directors' loans	13,000	13,000
Shetland Aquaculture Trust	<u>20,000</u>	<u>-</u>
	<u>33,000</u>	<u>13,000</u>
Amounts payable:		
Within five years other than by instalments	<u>33,000</u>	<u>13,000</u>

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

17 Called up share capital

	<u>2001</u> £	<u>2000</u> £
Authorised: Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>
Allotted, called up and fully paid: Ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>

18 Reconciliation of movements in shareholders' funds and movements in reserves

	<u>Profit</u> <u>and loss</u> <u>account</u> £	<u>Shareholders</u> <u>funds</u> £
At 31 January 2000	(906,588)	(798,088)
Loss for the year	<u>(493,749)</u>	<u>(493,749)</u>
At 31 January 2001	<u>(1,400,337)</u>	<u>(1,291,837)</u>

SHETLAND ISLANDS SMOLTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 JANUARY 2001**

19 Related parties

Control

During the year the company was controlled by Framgord Limited, which is ultimately controlled by F W Johnson (director).

Transactions

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

Related Party	Transaction	£	Balance at year end due to/(by) company £
Millbrook Fisheries Limited (a company in which F W Johnson is a director)	Sales	400,673	45,555
	Purchases	(59,995)	(1,452)
	Recharges	55,348	
Polson family	Directors' loans		(8,000)
W M Williamson	Director's loan		(5,000)
Framgord Limited (the holding company)	Management fees charged by holding company	24,000	(33,592)

20 Ultimate holding company

The company's ultimate holding company is Framgord Limited.