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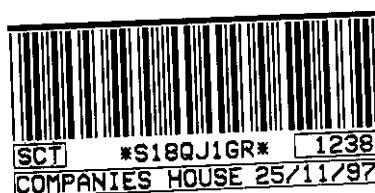
A²+B

SHETLAND INTENSIVE SMOLTS LIMITED
(Company Number: 127590)

DIRECTORS' REPORT AND ACCOUNTS

31 JANUARY 1997

U.



Anderson Anderson & Brown
Chartered Accountants

SHETLAND INTENSIVE SMOLTS LIMITED
DIRECTORS' REPORT

A²+B

Directors: F W Johnson
M T Leyland
S Polson
J I Polson
A S J Polson
A Polson Jnr
C G Ratter
W M Williamson

Secretary: S M Fullerton

Registered office: Gremista, Lerwick, Shetland Isles

The directors submit their report and the audited accounts of the company for the period from 1 November 1995 to 31 January 1997.

RESULTS AND DIVIDENDS

The loss for the period, amounting to £118,866 (1995 - £94,236) is dealt with as shown in the profit and loss account. The directors propose that no dividend be paid.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The company provides the services of a Salmon hatchery. During the period development and upgrading of the company's plant and equipment continued. This modernisation is expected to provide major benefits in future years.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company during the period ended 31 January 1997 were as listed above, and G T Brandie who resigned on 18 April 1997.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company throughout the period were as follows:

Ordinary shares of £1 each	
S Polson	5,000
J I Polson	5,000
A S J Polson	5,000
A Polson Jnr	5,000
C G Ratter	5,000
W M Williamson	12,500

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• **SHETLAND INTENSIVE SMOLTS LIMITED**
- **DIRECTORS' REPORT (continued)**

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AUDITORS

Anderson Anderson & Brown have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

Susan Felletts

Secretary

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ANDERSON
ANDERSON
& BROWN
—
CHARTERED
ACCOUNTANTS
—

**AUDITORS' REPORT TO THE SHAREHOLDERS
OF SHETLAND INTENSIVE SMOLTS LIMITED**

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 January 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Anderson Anderson & Brown

Registered Auditors
Aberdeen

20 August 1997

SHETLAND INTENSIVE SMOLTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 NOVEMBER 1995 TO 31 JANUARY 1997

A²+B

		15 Months ended 31 January 1997 £	8 Months ended 31 October 1995 £
	Note		
TURNOVER		675,731	20,000
Operating costs	3	<u>710,014</u>	<u>97,480</u>
NET OPERATING LOSS	4	(34,283)	(77,480)
Interest receivable	6	268	-
Interest payable and similar charges	7	<u>(84,851)</u>	<u>(16,756)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(118,866)	(94,236)
Taxation	8	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		£ <u>(118,866)</u>	£ <u>(94,236)</u>

Movements on reserves are set out in Note 19.

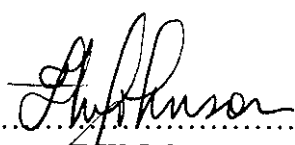
The company has made no gains or losses other than as reported above.

SHETLAND INTENSIVE SMOLTS LIMITED
BALANCE SHEET - 31 JANUARY 1997

A² + B

	Note	31 January 1997 £	31 October 1995 £
TANGIBLE FIXED ASSETS	9	<u>1,250,732</u>	<u>920,196</u>
CURRENT ASSETS			
Stocks	10	232,402	231,200
Debtors	11	<u>178,499</u>	<u>122,937</u>
		410,901	354,137
CREDITORS: <i>amounts falling due within one year</i>	12	<u>1,474,594</u>	<u>975,751</u>
NET CURRENT LIABILITIES		<u>(1,063,693)</u>	<u>(621,614)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		187,039	298,582
CREDITORS: <i>amounts falling due after more than one year</i>	14	147,641	137,906
ACCRUALS AND DEFERRED INCOME	15	<u>146,760</u>	<u>149,172</u>
		<u>£ (107,362)</u>	<u>£ 11,504</u>
CAPITAL AND RESERVES			
Called up share capital	18	80,000	80,000
Grant reserves	19	28,500	28,500
Profit and loss account	19	<u>(215,862)</u>	<u>(96,996)</u>
SHAREHOLDERS' FUNDS	19	<u>£ (107,362)</u>	<u>£ 11,504</u>

Signed on behalf of the board of directors


.....
Director - F.W. Johnson

20.8.97

..... Date

1. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, 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) state whether or not applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) prepare the accounts 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 which enable them to ensure that the accounts 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.

2. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) *Depreciation*

The cost of fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

Buildings	40 years
Plant and equipment	10-20 years
Motor vehicles	4 years

(c) *Stocks*

Stocks are valued at the lower of cost and net realisable value with due allowance being made for stock losses due to weather and disease.

(d) *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.

2. ACCOUNTING POLICIES (continued)

(e) *Deferred 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.

(f) *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 lease or contract. Total finance charges are allocated over the period of the lease in accordance with the straight line method.

3. OPERATING COSTS

	15 Months to 31 January 1997 £	8 Months to 31 October 1995 £
Increase in stocks	(3,256)	(185,241)
Purchases	249,393	112,072
Staff costs - wages and salaries	112,036	40,582
- social security	11,944	3,679
Depreciation - on owned assets	62,219	7,838
- on assets held under hire purchase contracts	21,594	879
- grant amortisation	(10,385)	(14,411)
Other operating charges	<u>266,469</u>	<u>132,082</u>
	<u>£ 710,014</u>	<u>£ 97,480</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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4. NET OPERATING LOSS *is stated after charging/(crediting):*

	15 Months to 31 January 1997 £	8 Months to 31 October 1995 £
Auditors' remuneration - audit services	3,000	3,200
- non audit services	1,850	1,376
Equipment hire	12,116	5,356
Training grants received	<u>(4,500)</u>	<u>-</u>

5. STAFF NUMBERS

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

	15 Months to 31 January 1997 No	8 Months to 31 October 1995 No
Production, distribution and sales	<u>17</u>	<u>13</u>

6. INTEREST RECEIVABLE

	15 Months to 31 January 1997	8 Months to 31 October 1995
Bank interest	<u>£ 268</u>	<u>£ -</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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7. INTEREST PAYABLE AND SIMILAR CHARGES

	15 Months to 31 January 1997 £	8 Months to 31 October 1995 £
Bank overdraft interest	64,368	12,109
Other interest	709	354
Hire purchase and finance lease interest	<u>19,774</u>	<u>4,293</u>
	<u>£ 84,851</u>	<u>£ 16,756</u>

8. TAXATION

No charge to taxation arises because of trading losses incurred.

9. TANGIBLE FIXED ASSETS

	Buildings £	Plant & equipment £	Motor vehicle £	Total £
COST				
At 31 October 1995	370,362	622,560	6,900	999,822
Additions	69,081	363,865	4,680	437,626
Disposals	<u>-</u>	<u>(27,254)</u>	<u>-</u>	<u>(27,254)</u>
At 31 January 1997	<u>439,443</u>	<u>959,171</u>	<u>11,580</u>	<u>1,410,194</u>
DEPRECIATION				
At 31 October 1995	22,465	56,356	805	79,626
Charge for period	11,809	70,123	1,881	83,813
Relating to disposals	<u>-</u>	<u>(3,977)</u>	<u>-</u>	<u>(3,977)</u>
At 31 January 1997	<u>34,274</u>	<u>122,502</u>	<u>2,686</u>	<u>159,462</u>
Net book amounts at:				
31 January 1997	<u>£ 405,169</u>	<u>£ 836,669</u>	<u>£ 8,894</u>	<u>£ 1,250,732</u>
31 October 1995	<u>£ 347,897</u>	<u>£ 566,204</u>	<u>£ 6,095</u>	<u>£ 920,196</u>

The net book amount of plant and equipment and motor vehicles above includes amounts of £297,573 and £4,370 (31 October 1995 - £208,170 and £5,750) in respect of assets held under hire purchase contracts.

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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10. STOCKS

	31 January 1997 £	31 October 1995 £
Ova and fry	232,402	229,146
Feed	-	2,054
	<u>£ 232,402</u>	<u>£ 231,200</u>

11. DEBTORS

	31 January 1997 £	31 October 1995 £
Trade debtors	96,902	21,080
Amounts owed by fellow subsidiary undertakings	53,414	221
Corporation tax recoverable	-	5,222
VAT repayable	27,185	42,230
Other debtors	998	54,184
	<u>£ 178,499</u>	<u>£ 122,937</u>

12. CREDITORS: *amounts falling due within one year*

	31 January 1997 £	31 October 1995 £
Bank overdraft	1,059,033	597,235
Trade creditors	193,991	206,296
Amounts owed to parent undertaking	31,073	41,959
Amounts owed to fellow subsidiary undertakings	3,733	624
Accruals and deferred income	21,180	18,552
Other taxes and social security	2,733	2,091
Hire purchase contracts (Note 16)	52,615	31,084
Other loans (Note 17)	25,000	77,910
Other creditors	85,236	-
	<u>£ 1,474,594</u>	<u>£ 975,751</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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13. BANK OVERDRAFT

The bank overdraft is secured by a bond and floating charge over the assets of the company in favour of the Royal Bank of Scotland.

14. CREDITORS: *amounts falling due after more than one year*

	31 January 1997	31 October 1995
Hire purchase contracts (Note 16)	<u>£ 147,641</u>	<u>£ 137,906</u>

15. ACCRUALS AND DEFERRED INCOME
represents deferred Government grants as follows:

	31 January 1997 £	31 October 1995 £
At 31 October 1995	149,172	83,055
Received during the period	7,973	80,528
Amortisation for period	<u>(10,385)</u>	<u>(14,411)</u>
At 31 January 1997	<u>£ 146,760</u>	<u>£ 149,172</u>

16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	31 January 1997 £	31 October 1995 £
<i>Amounts payable:</i>		
Within one year	71,449	47,266
In the second to fifth years inclusive	<u>165,369</u>	<u>167,455</u>
	236,818	214,721
Less: Finance charges allocated to future periods	<u>36,562</u>	<u>45,731</u>
	<u>£ 200,256</u>	<u>£ 168,990</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS (continued)

	31 January 1997 £	31 October 1995 £
<i>Capital repayments are analysed as follows:</i>		
Current obligations	52,615	31,084
Non-current obligations	<u>147,641</u>	<u>137,906</u>
	<u>£ 200,256</u>	<u>£ 168,990</u>

17. OTHER LOANS

	31 January 1997 £	31 October 1995 £
Directors' loans	15,000	15,000
Shetland Islands Council loan	-	8,726
Intensive Aquaculture Technology Ltd loan	-	54,184
Millbrook Salmon Ltd	<u>10,000</u>	<u>-</u>
	<u>£ 25,000</u>	<u>£ 77,910</u>
<i>Amounts payable:</i>		
Within five years other than by instalments	25,000	69,184
Within five years by instalments	<u>-</u>	<u>8,726</u>
	<u>£ 25,000</u>	<u>£ 77,910</u>

18. CALLED UP SHARE CAPITAL

	31 January 1997 & 31 October 1995
Authorised: Ordinary shares of £1 each	<u>£ 80,000</u>
Allotted, called up and fully paid: Ordinary shares of £1 each	<u>£ 80,000</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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**19. RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

	Share capital £	Grant reserves £	Profit and loss account £	Total £
At 28 February 1995	80,000	28,500	(2,760)	105,740
Loss for the period	<u>-</u>	<u>-</u>	<u>(94,236)</u>	<u>(94,236)</u>
At 31 October 1995	80,000	28,500	(96,996)	11,504
Loss for the period	<u>-</u>	<u>-</u>	<u>(118,866)</u>	<u>(118,866)</u>
At 31 January 1997	<u>£ 80,000</u>	<u>£ 28,500</u>	<u>£ (215,862)</u>	<u>£ (107,362)</u>

20. CONTINGENT LIABILITIES

- (a) Contingent liabilities exist in respect of various grants received. The grants received and the expiry dates of the grant obligations are as follows:

<i>Grant</i>	<i>£</i>	<i>Expiry date of grant obligation</i>
Shetland Enterprise		
Special grant (buildings)	21,000	31 March 2000
Development grant	3,500	23 March 1997
Development grant	62,000	31 March 1998

- (b) The company has entered into cross guarantees with its bankers to support the borrowings of Framgord Limited and the subsidiaries of Framgord Limited.

21. CAPITAL COMMITMENTS

	31 January 1997	31 October 1995
Contracted	<u>£ -</u>	<u>£ 145,886</u>
Authorised by the directors but not contracted	<u>£ -</u>	<u>£ 115,990</u>

22. TRANSACTIONS INVOLVING DIRECTORS

Sales of £97,125 were made on an arm's length basis to Millbrook Fisheries Limited, a company controlled by F W Johnson.

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 JANUARY 1997

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23. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Framgord Limited.