

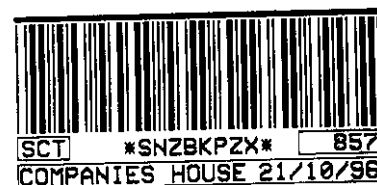
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SHETLAND INTENSIVE SMOLTS LIMITED
(Company Number: 127590)

DIRECTORS' REPORT AND ACCOUNTS

31 OCTOBER 1995

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
G T Brandie (Appointed 1 January 1996)

Secretary: S M Fullerton

Registered office: Greenhead, Lerwick, Shetland Isles

The directors submit their report and the audited accounts of the company for the eight month period ended 31 October 1995.

RESULTS AND DIVIDENDS

The loss for the period, amounting to £94,236 (1994 - £26,063) 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 a further 1% of the issued share capital of the company was acquired by Framgord Limited.

No major changes in the company's activities are foreseen.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company during the period ended 31 October 1995 were as listed above, together with N C Ratter who resigned on 3 March 1995.

SHETLAND INTENSIVE SMOLTS LIMITED
DIRECTORS' REPORT (continued)

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DIRECTORS AND DIRECTORS' INTERESTS (continued)

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

	Ordinary shares of £1 each	
	31 October 1995	28 February 1995
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
C G Ratter	5,000	5,000
W M Williamson	12,500	12,500

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 Filleter

Secretary

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A + B

ANDERSON
ANDERSON
& BROWN

CHARTERED
ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS OF SHETLAND INTENSIVE SMOLTS LIMITED

We have audited the accounts on pages 4 to 15 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.

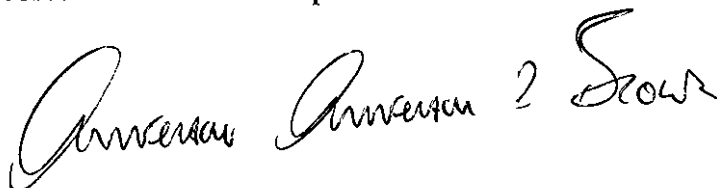
Basis of opinion

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 October 1995 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Aberdeen

17 September 1996

SHETLAND INTENSIVE SMOLTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 1 MARCH 1995 TO 31 OCTOBER 1995

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	Note	8 Months ended 31 October 1995 £	Year to 28 February 1995 £
TURNOVER		20,000	118,448
Operating costs	3	<u>97,480</u>	<u>145,324</u>
NET OPERATING LOSS	4	(77,480)	(26,876)
Interest payable and similar charges	6	<u>16,756</u>	<u>4,409</u>
LOSS BEFORE TAXATION		(94,236)	(31,285)
Taxation	7	<u>-</u>	<u>5,222</u>
LOSS AFTER TAXATION		£ <u>(94,236)</u>	£ <u>(26,063)</u>

Movements on reserves are set out in Note 18.

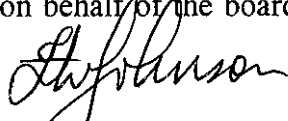
The company has made no gains or losses other than as reported above.

SHETLAND INTENSIVE SMOLTS LIMITED
BALANCE SHEET - 31 OCTOBER 1995

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	Note	31 October 1995 £	28 February 1995 £
TANGIBLE FIXED ASSETS	8	<u>920,196</u>	<u>337,618</u>
CURRENT ASSETS			
Stocks	9	231,200	43,905
Debtors	10	122,937	81,197
Bank		<u>-</u>	<u>22,654</u>
		354,137	147,756
CREDITORS: <i>amounts falling due within one year</i>	11	<u>975,751</u>	<u>288,479</u>
NET CURRENT LIABILITIES		<u>(621,614)</u>	<u>(140,723)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		298,582	196,895
CREDITORS: <i>amounts falling due after more than one year</i>	13	137,906	8,100
ACCRUALS AND DEFERRED INCOME	14	<u>149,172</u>	<u>83,055</u>
		<u>£ 11,504</u>	<u>£ 105,740</u>
CAPITAL AND RESERVES			
Called up share capital	17	80,000	80,000
Grant reserves	18	28,500	28,500
Profit and loss account	18	<u>(96,996)</u>	<u>(2,760)</u>
		<u>£ 11,504</u>	<u>£ 105,740</u>

Signed on behalf of the board of directors



.....
Director F. W. Johnson

17/9/96 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	50 years
Plant and equipment	5-20 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.

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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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

	8 Months to 31 October 1995 £	Year to 28 February 1995 £
Increase in stocks	(185,241)	(43,905)
Purchases	112,072	66,277
Staff costs - wages and salaries	40,582	26,611
- social security	3,679	2,178
Depreciation - on owned assets	7,838	17,093
- on assets held under hire purchase contracts	879	3,126
- grant amortisation	(14,411)	(3,528)
Other operating charges	<u>132,082</u>	<u>77,472</u>
	<u>£ 97,480</u>	<u>£ 145,324</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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

	8 Months to 31 October 1995 £	Year to 28 February 1995 £
Auditors' remuneration - audit services	3,200	3,000
- non audit services	1,376	500
Equipment hire	5,356	-
Operating lease rentals	-	2,863
Training grants received	-	(6,326)
	<u> </u>	<u> </u>

5. **STAFF NUMBERS**

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

	8 Months to 31 October 1995 No	Year to 28 February 1995 No
Production, distribution and sales	<u>13</u>	<u>10</u>

6. **INTEREST PAYABLE AND SIMILAR CHARGES**

	8 Months to 31 October 1995 £	Year to 28 February 1995 £
Bank overdraft interest	12,109	2,110
Other interest	354	1,517
Hire purchase and finance lease interest	<u>4,293</u>	<u>782</u>
	<u>£ 16,756</u>	<u>£ 4,409</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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7. *TAXATION credit for the period comprises:*

	8 Months to 31 October 1995	Year to 28 February 1995
UK corporation tax at 25%	<u>£ -</u>	<u>£ 5,222</u>

8. **TANGIBLE FIXED ASSETS**

	Buildings £	Plant & equipment £	Motor vehicle £	Total £
COST				
At 28 February 1995	269,996	138,531	-	408,527
Additions	<u>100,366</u>	<u>484,029</u>	<u>6,900</u>	<u>591,295</u>
At 31 October 1995	<u>370,362</u>	<u>622,560</u>	<u>6,900</u>	<u>999,822</u>
DEPRECIATION				
At 28 February 1995	18,536	52,373	-	70,909
Charge for period	<u>3,929</u>	<u>3,983</u>	<u>805</u>	<u>8,717</u>
At 31 October 1995	<u>22,465</u>	<u>56,356</u>	<u>805</u>	<u>79,626</u>
Net book amounts at:				
31 October 1995	<u>£ 347,897</u>	<u>£ 566,204</u>	<u>£ 6,095</u>	<u>£ 920,196</u>
28 February 1995	<u>£ 251,460</u>	<u>£ 86,158</u>	<u>£ -</u>	<u>£ 337,618</u>

The net book value of plant and equipment and motor vehicles above includes amounts of £208,170 and £5,750 (28 February 1995 - £9,380 and £Nil) in respect of assets held under hire purchase contracts.

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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9. STOCKS

	31 October 1995 £	28 February 1995 £
Ova and fry	229,146	43,905
Feed	<u>2,054</u>	<u>-</u>
	<u>£ 231,200</u>	<u>£ 43,905</u>

10. DEBTORS

	31 October 1995 £	28 February 1995 £
Trade debtors	21,080	-
Amounts owed by fellow subsidiary undertakings	221	-
Corporation tax recoverable	5,222	5,222
Prepayments and accrued income	-	1,905
VAT repayable	42,230	19,886
Other debtors (Note 23)	<u>54,184</u>	<u>54,184</u>
	<u>£ 122,937</u>	<u>£ 81,197</u>

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

	31 October 1995 £	28 February 1995 £
Bank overdraft	597,235	-
Trade creditors	206,296	108,905
Amounts owed to parent undertaking	41,959	55,357
Amounts owed to fellow subsidiary undertakings	624	-
Accruals and deferred income	18,552	23,500
Other taxes and social security	2,091	-
Directors' loan accounts (Note 16)	15,000	15,000
Hire purchase contracts (Note 15)	31,084	2,700
Other loans (Notes 16 and 23)	<u>62,910</u>	<u>83,017</u>
	<u>£ 975,751</u>	<u>£ 288,479</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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12. 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.

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

	31 October 1995	28 February 1995
Hire purchase contracts (Note 15)	<u>£ 137,906</u>	<u>£ 8,100</u>

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

	31 October 1995 £	28 February 1995 £
At 28 February 1995	83,055	86,583
Received during the period	80,528	-
Amortisation for period	<u>(14,411)</u>	<u>(3,528)</u>
At 31 October 1995	<u>£ 149,172</u>	<u>£ 83,055</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	31 October 1995 £	28 February 1995 £
<i>Amounts payable:</i>		
Within one year	47,266	3,482
In the second to fifth years inclusive	<u>167,455</u>	<u>10,446</u>
	214,721	13,928
Less: Finance charges allocated to future periods	<u>45,731</u>	<u>3,128</u>
	<u>£ 168,990</u>	<u>£ 10,800</u>
<i>Capital repayments are analysed as follows:</i>		
Current obligations	31,084	2,700
Non-current obligations	<u>137,906</u>	<u>8,100</u>
	<u>£ 168,990</u>	<u>£ 10,800</u>

16. OTHER LOANS

	31 October 1995 £	28 February 1995 £
Directors' loans	15,000	15,000
Shetland Islands Council loan	8,726	28,833
Intensive Aquaculture Technology Ltd loan	<u>54,184</u>	<u>54,184</u>
	<u>£ 77,910</u>	<u>£ 98,017</u>
<i>Amounts payable:</i>		
Within five years other than by instalments	69,184	69,184
Within five years by instalments	<u>8,726</u>	<u>28,833</u>
	<u>£ 77,910</u>	<u>£ 98,017</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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17. CALLED UP SHARE CAPITAL

31 October 1995 &
28 February 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>

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

	Share capital £	Grant reserves £	Profit and loss account £	Total £
At 28 February 1994	80,000	28,500	23,303	131,803
Loss for the year	<u>-</u>	<u>-</u>	<u>(26,063)</u>	<u>(26,063)</u>
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	<u>£ 80,000</u>	<u>£ 28,500</u>	<u>£ (96,996)</u>	<u>£ 11,504</u>

SHETLAND INTENSIVE SMOLTS LIMITED
NOTES ON THE ACCOUNTS - 31 OCTOBER 1995

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19. CONTINGENT LIABILITIES

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>
Highlands and Islands Enterprise		
Special grant (buildings)	30,100	14 February 1996
Shetland Enterprise		
Special grant (buildings)	21,000	31 March 2000
Development grant	3,500	23 March 1997
Development grant	62,000	31 March 1998
Shetland Islands Council		
Incentive grant	58,750	30 November 1996
Working capital grant	13,500	30 November 1996

The Shetland Islands Council Incentive Grant is repayable if the terms and conditions of the application are breached. The directors are of the opinion that such an occurrence is unlikely.

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

20. CAPITAL COMMITMENTS

	31 October 1995	28 February 1995
Contracted	<u>£ 145,886</u>	<u>£ -</u>
Authorised by the directors but not contracted	<u>£ 115,990</u>	<u>£ 257,316</u>

21. TRANSACTIONS INVOLVING DIRECTORS

Purchases of £79,276 and recharges of £41,080 were made on an arm's length basis to Millbrook Fisheries, a company controlled by F W Johnson.

22. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Framgord Limited which is registered in Scotland.

23. INSURANCE CLAIM

Included within debtors is an amount of £54,184 in respect of an outstanding insurance claim. Creditors due within one year include an identical sum due to Intensive Aquaculture Technology Limited; the loan will be repaid only from any sums recovered in respect of the insurance claim.