

Chart
Registration number 169534

EUROSCOT SEAFOODS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2003



ANDREW DUNCAN & CO (SCOTLAND) LIMITED

Chartered Accountants

Inverness

EUROSCOT SEAFOODS LIMITED

COMPANY INFORMATION

Directors	P Formal A Strachan
Secretary	R R Dougal
Company number	169534
Registered office	4 Longman Drive Inverness IV1 1SU
Auditors	Andrew Duncan & Co (Scotland) Limited Alton House 4 Ballifeary Road Inverness IV3 5PJ
Bankers	Bank of Scotland 9 High Street Inverness IV1 1JB Credit Agricole Morbihan Centre d'Affaires de Lorient 1 Bd Cosmao Dumanoir 56100 Lorient
Solicitors	Dundas & Wilson CS Saltire Court 20 Castle Terrace Edinburgh EH1 2EN

EUROSCOT SEAFOODS LIMITED

DIRECTORS' REPORT for the year ended 31 December 2003

The directors present their report and the financial statements for the year ended 31 December 2003.

Principal activity and review of the business

The principal activity of the company during the year was fishselling. This activity ceased on 31 August 2003. On 1 January 2004, the company acquired the trade of the handling and provision of agency services from its subsidiary undertaking Euroscot Seafoods Services Limited.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of a final dividend.

Directors and their interests

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

P Formal
A Strachan

None of the directors has any beneficial interest in the shares of the company. P Formal owns 85% of the issued share capital in the parent undertaking Philippe Formal Entreprises S.A., a company registered in France.

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:

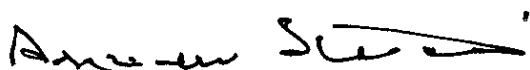
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

On 1 April 2003 Andrew Duncan & Co, the company's auditors, transferred its business to Andrew Duncan & Co (Scotland) Limited. The directors consented to treating the appointment of Andrew Duncan & Co as extending to Andrew Duncan & Co (Scotland) Limited with effect from 1 April 2003. Andrew Duncan & Co (Scotland) Limited have agreed to offer themselves for reappointment as auditors of the company.

This report was approved by the Board on 27 October, 2004 and signed on its behalf by



A Strachan
Director

EUROSCOT SEAFOODS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUROSCOT SEAFOODS LIMITED

We have audited the financial statements of Euroscot Seafoods Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the 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 audit 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 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. However the evidence available to us was limited with regard to verification of existence of stock carried in the balance sheet of 31 December 2002 at £14,206 as given by the nature of the company's trade, whereby stock is held at different locations, physical verification procedures could not be satisfactory carried out. We were unable to carry out other satisfactory procedures to verify the existence of stock at 31 December 2002. Any adjustment to this figure would have a consequential effect on the result for the year ended 31 December 2003.

Going concern

In forming our opinion we have considered the adequacy of the disclosure made in note 1.8 of the financial statements regarding the future profitability and restructuring of the company and the group and its dependence on the continuation and the renewal of its bank facility. In view of the significance of this matter we consider it should be drawn to your attention but our opinion is not qualified in this respect.

EUROSCOT SEAFOODS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
EUROSCOT SEAFOODS LIMITED (CONTINUED)**

Qualified opinion arising from limitation in audit scope

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and , except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the stock balance of £14,206 as at 1 January 2003, of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the opening stock balance of £14,206

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit;
and
- we were unable to determine whether proper accounting records had been maintained.

Andrew Duncan & Co (Scotland) Limited

**Andrew Duncan & Co (Scotland) Limited
Chartered Accountants and
Registered Auditors**

**Alton House
4 Ballifeary Road
Inverness
IV3 5PJ**

27 October, 2004

EUROSCOT SEAFOODS LIMITED

**PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003**

		2003	2002
	Notes	£	£
Turnover	2	1,187,707	3,871,423
Cost of sales		(1,168,492)	(3,786,666)
Gross profit		19,215	84,757
Administrative expenses		(102,626)	(94,975)
Exceptional administrative expenses	3	(310,297)	(25,350)
Other operating income		71,582	146,751
Operating (loss)/profit	4	(322,126)	111,183
Provision for loss on fixed asset investment		-	(109,380)
(Loss)/profit on ordinary activities before interest		(322,126)	1,803
Other interest receivable and similar income	5	3,303	4,116
Interest payable and similar charges	6	(378)	(213)
(Loss)/profit on ordinary activities before taxation		(319,201)	5,706
Tax on (loss)/profit on ordinary activities	8	-	(28,190)
Loss for the year		(319,201)	(22,484)
Retained profit brought forward		128,358	150,842
Accumulated (loss)/profit carried forward		(190,843)	128,358

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

The results for the year all relate to discontinued activities.

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

EUROSCOT SEAFOODS LIMITED

BALANCE SHEET
as at 31 December 2003

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		-		2,557
Current assets					
Stocks	11	-		14,206	
Debtors	12	3,782		458,485	
Cash at bank and in hand		18,352		256,275	
		<u>22,134</u>		<u>728,966</u>	
Creditors: amounts falling due within one year	13	<u>(112,977)</u>		<u>(503,165)</u>	
Net current (liabilities)/assets			<u>(90,843)</u>		<u>225,801</u>
			<u>(90,843)</u>		<u>228,358</u>
Capital and reserves					
Called up share capital	14		100,000		100,000
Profit and loss account			<u>(190,843)</u>		<u>128,358</u>
Equity shareholders' funds	15		<u>(90,843)</u>		<u>228,358</u>

The financial statements were approved by the Board on 27 October, 2004 and signed on its behalf by



A Strachan
Director

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

EUROSCOT SEAFOODS LIMITED

CASH FLOW STATEMENT for the year ended 31 December 2003

	Notes	2003 £	2002 £
Reconciliation of operating (loss)/profit to net cash outflow from operating activities			
Operating (loss)/profit		(322,126)	111,183
Loss on disposal/depreciation		1,280	3,994
Decrease in stocks		14,206	22,303
Decrease in debtors		454,703	201,461
(Decrease) in creditors		(390,188)	(266,060)
Net cash outflow from operating activities		<u>(242,125)</u>	<u>72,881</u>
Cash flow statement			
Net cash outflow from operating activities		(242,125)	72,881
Returns on investments and servicing of finance	20	2,925	3,903
Capital expenditure	20	1,277	-
Decrease in cash in the year		<u>(237,923)</u>	<u>76,784</u>
Reconciliation of net cash flow to movement in net debt (Note 21)			
Decrease in cash in the year		(237,923)	76,784
Net funds at 1 January 2003		<u>256,275</u>	<u>179,491</u>
Net funds at 31 December 2003		<u>18,352</u>	<u>256,275</u>

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

1.2. Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and machinery - 20% per annum straight line

1.4. Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.5. Stock

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

1.6. Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

1.7. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

1.8. Going concern

The accounts have been prepared under the going concern concept as the directors are confident as to the future trading prospects of the company. Since the year end the directors carried out a restructuring exercise of the group's activities which they believe will result in greater efficiency. The fish handling and boat agency operation were transferred from the subsidiary undertaking Euroscot Seafoods Services Limited to this company. The remaining processing operation of Euroscot Seafoods Services Limited has been terminated and the factory unit and related plant and equipment have been sold.

In August 2004 the factory was sold for net proceeds of £458,607 which were used to repay the bank loan and reduce the bank overdraft. The directors are confident the measures they have taken will improve efficiency and enable the company to operate within the current bank facility.

On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result if the company were unable to continue trading.

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

2. Turnover

Turnover attributable to geographical markets outside the United Kingdom amounted to 90% for the year (2002 85%).

3. Exceptional administrative expenses

The exceptional administrative expenses (note 4) represents a bad debt provision against amounts owed to the company by its subsidiary undertaking Euroscot Seafoods Services Limited.

4. Operating (loss)/profit	2003	2002
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation and other amounts written off tangible assets	-	3,994
Loss on disposal of tangible fixed assets	1,280	-
Auditors' remuneration	3,000	2,400
Exceptional items		
- Exceptional bad debt provision (note 17)	310,297	25,350
	<u>33,875</u>	<u>45,595</u>
and after crediting:		
Profit on foreign currencies	<u>33,875</u>	<u>45,595</u>
5. Interest receivable and similar income	2003	2002
	£	£
Bank interest	3,303	4,116
	<u>3,303</u>	<u>4,116</u>
6. Interest payable and similar charges	2003	2002
	£	£
On loans and overdrafts	378	213
	<u>378</u>	<u>213</u>

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

7. Employees

Number of employees	2003	2002
The average monthly numbers of employees (including the directors) during the year were:	Number	Number

Administration	<u>2</u>	<u>2</u>
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Employment costs	2003	2002
	£	£
Wages and salaries	55,296	74,608
Social security costs	<u>5,861</u>	<u>9,180</u>
	<u>61,157</u>	<u>83,788</u>

7.1. Directors' emoluments	2003	2002
	£	£
Remuneration and other emoluments	<u>33,322</u>	<u>43,739</u>

8. Tax on (loss)/profit on ordinary activities

Analysis of charge in period	2003	2002
	£	£
Current tax		
Group relief	<u>-</u>	<u>28,190</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2003	2002
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(319,201)</u>	<u>5,706</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 December 2002 : 30%)	(95,760)	1,712
Effects of:		
Expenses not deductible for tax purposes	-	384
Capital allowances for period in excess of depreciation	494	213
Utilisation of tax losses	2,176	-
Non tax deductible exceptional items	93,090	32,814
Marginal relief	<u>-</u>	<u>(6,933)</u>
Current tax charge for period	<u>-</u>	<u>28,190</u>

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

9. Tangible fixed assets	Plant and machinery £	Motor vehicles £	Total £
Cost			
At 1 January 2003	60,130	17,795	77,925
Disposals	(37,240)	(11,800)	(49,040)
At 31 December 2003	<u>22,890</u>	<u>5,995</u>	<u>28,885</u>
Depreciation			
At 1 January 2003	60,130	15,238	75,368
On disposals	(37,240)	(9,243)	(46,483)
At 31 December 2003	<u>22,890</u>	<u>5,995</u>	<u>28,885</u>
Net book values			
At 31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2002	<u>-</u>	<u>2,557</u>	<u>2,557</u>

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

10. Fixed asset investments	Subsidiary undertakings shares £
Cost	
At 1 January 2003	114,133
Disposals	(14,133)
At 31 December 2003	<u>100,000</u>
Provisions for diminution in value:	
At 1 January 2003	114,133
Disposals	(14,133)
At 31 December 2003	<u>100,000</u>
Net book values	
At 31 December 2003	<u>-</u>
At 31 December 2002	<u>-</u>

The company holds 100,000 ordinary £1 shares being the entire ordinary share capital of Euroscot Seafoods Services Limited, a company registered in Scotland. The principal activities of the company are the processing and grading of fish and the provision of agency and handling services for fishing vessels. In the year ended 31 December 2003 Euroscot Seafoods Services recorded a profit of £147,795. The capital and reserves of the company at that time were £(232,895).

Euroscot Seafoods Services Limited ceased its processing operations in August 2003 and the building and plant used for the processing function was sold in August 2004. The remaining handling and agency operation was transferred from Euroscot Seafoods Services Limited to Euroscot Seafoods Limited on 1 January 2004. Consequently the investment had suffered an impairment in value and the full provision made in 2002 has been maintained.

The company owned 99.9% of the ordinary share capital of Bretagne Atlantique S.A.R.L., a company registered in France. The company was liquidated during the year and the investment of £14,133 previously provided for in full has been recorded as a disposal.

11. Stocks	2003 £	2002 £
Raw materials and consumables	<u>-</u>	<u>14,206</u>

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

12. Debtors	2003	2002
	£	£
Trade debtors	1,917	452,528
Other debtors	1,865	5,957
	<u>3,782</u>	<u>458,485</u>
 13. Creditors: amounts falling due within one year	 2003	 2002
	£	£
Trade creditors	107,899	492,604
Other taxes and social security costs	1,078	2,219
Accruals and deferred income	4,000	8,342
	<u>112,977</u>	<u>503,165</u>
 14. Share capital	 2003	 2002
	£	£
Authorised		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
 Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
 15. Reconciliation of movements in shareholders' funds	 2003	 2002
	£	£
Loss for the year	(319,201)	(22,484)
Opening shareholders' funds	228,358	250,842
Closing shareholders' funds	<u>(90,843)</u>	<u>228,358</u>
 16. Contingent liabilities		

The company has issued a guarantee for the bank borrowings of the subsidiary company Euroscot Seafoods Services Limited. At 31 December 2003 the bank borrowings of Euroscot Seafoods Services Limited amounted to £570,670 (2002 - £699,896). A cross guarantee from the subsidiary undertaking for all sums due by Euroscot Seafoods Limited is also in place.

The Bank of Scotland holds a bond and floating charge over the assets of the company.

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

17. Related party transactions

The company was charged rent of £9,600 in respect of a house which is partly owned by the director Philippe Formal. A motor vehicle was sold to Philippe Formal during the year for £1,277 resulting in a loss on disposal of £1,280.

The subsidiary undertaking Euroscot Seafoods Services Limited charged the company £166,169 for grading and processing its fish. Management services amounting to £65,000 were provided to Euroscot Seafoods Services Limited and are disclosed as other operating income. Euroscot Seafoods Limited paid various amounts on behalf of Euroscot Seafoods Services Limited and transferred funds to service their debt which resulted in a balance of £310,297 being due at the year end which has been provided for as disclosed in note 3

The subsidiary undertaking Bretagne Atlantique S.A.R.L. charged the company £43,475 for handling and marketing the company's stock of fish in France, and the company sold fish of £954 to Bretagne Atlantique S.A.R.L. during the year.

Denholm Fishselling Limited owns 45% of the share capital of the company. During the year the company sold fish amounting to £2,031 to Denholm Fishselling Limited. It also purchased £319,695 of fish from Denholm Group companies and it was recharged expenses of £7,143. At 31 December 2003 £100,353 was outstanding and is included in trade creditors (note 13).

Management charges of £17,640 and various recharges of £3,145 were made by Phillipe Formal Enterprises S.A., the ultimate parent undertaking, during the year.

18. Ultimate parent undertaking

The ultimate parent undertaking is Philippe Formal Entreprises S.A. a company registered in France. Accounts for the ultimate parent undertaking are available at Registre du Commerce de Lorient, 5 Rue Benjamin Delessert, Lorient, France.

19. Post balance sheet events

In January 2004, Euroscot Seafoods Services Limited transferred the activity of the provision of agency and handling services for fishing vessels to Euroscot Seafoods Limited. The subsidiary company ceased trading and the factory was sold during the current year.

EUROSCOT SEAFOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

20. Gross cash flows

	2003	2002
	£	£
Returns on investments and servicing of finance		
Interest received	3,303	4,116
Interest paid	(378)	(213)
	<u>2,925</u>	<u>3,903</u>
Capital expenditure		
Receipts from sales of tangible assets	<u>1,277</u>	<u>-</u>

21. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	<u>256,275</u>	<u>(237,923)</u>	<u>18,352</u>
Net funds	<u>256,275</u>	<u>(237,923)</u>	<u>18,352</u>

EUROSCOT SEAFOODS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	2003		2002	
	£	£	£	£
Sales				
Sale of fish		1,185,736		3,870,352
Other income		1,971		1,071
		<u>1,187,707</u>		<u>3,871,423</u>
Cost of sales				
Purchase of fish	877,542		2,996,782	
Other direct costs	184,447		472,480	
Handling commission	43,745		143,477	
Transport	62,758		173,927	
		<u>(1,168,492)</u>		<u>(3,786,666)</u>
Gross profit		19,215		84,757
Administrative expenses (per schedule)		<u>(412,923)</u>		<u>(120,325)</u>
		(393,708)		(35,568)
Other operating income				
Rent receivable	6,582		4,103	
Sundry income	-		1,648	
Management charges	65,000		141,000	
Provision for loss on fixed asset investment	-		(109,380)	
		<u>71,582</u>		<u>37,371</u>
Operating (loss)/profit		(322,126)		1,803
Other income and expenses				
Interest receivable				
Bank deposit interest		3,303		4,116
Interest payable				
Bank interest paid		<u>(378)</u>		<u>(213)</u>
Net (loss)/profit for the year		<u><u>(319,201)</u></u>		<u><u>5,706</u></u>

EUROSCOT SEAFOODS LIMITED

ADMINISTRATIVE EXPENSES
for the year ended 31 December 2003

	2003	2002
	£	£
Administrative expenses		
Wages and salaries	55,296	74,608
Employer's NI contributions	5,861	9,180
Rent payable	9,600	14,400
Insurance	7,823	9,962
Repairs and maintenance	998	1,955
Advertising	1,208	2,126
Telephone	217	561
Motor expenses	2,244	1,396
Travel and subsistence	5,488	2,558
Legal and professional fees	4,647	7,489
Management charge	20,785	1,976
Accountancy	2,163	3,819
Audit	3,000	2,400
Bank charges	4,921	11,589
Bad debts	12,783	(6,335)
Profit/loss on exchange	(33,875)	(45,595)
General expenses	(1,813)	(1,108)
Depreciation	-	3,994
Profits/losses on disposal of tangible assets	1,280	-
Subsidiary company debt written off	310,297	25,350
	<u>412,923</u>	<u>120,325</u>