


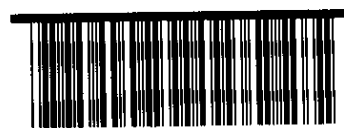
Farne Salmon and Trout Limited

Report and Financial statements

31 March 2003

Company No: SC076613

 ERNST & YOUNG



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Contents

	Page
Directors' Report	4-5
Auditors' report	7
Profit and Loss Account	8
Balance Sheet	9
Notes to the Financial statements	10-17

Directors

B Gardner (Chairman)
R K Jeha
C J Burke
P Cassidy
S Billet
J van Leeuwen

Secretary

J R Smith

Registered office

Station Road Industrial Estate
Duns
Berwickshire
TD11 3HS

Solicitors

Burness
Festival Square
50 Lothian Road
Edinburgh
EH3 9WJ

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Directors' report

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

Principal activity, review of the business and future developments

The company's principal activity continues to be that of the processing of salmon and trout for both the wholesale and retail markets.

The results for the year are set out on page 8.

Results and dividends

The loss for the year, after taxation, amounted to £849,000 (period ended 31 March 2002: profit £1,853,000).

Fixed assets

The movements in tangible fixed assets during the period are set out in note 9 to the financial statements.

Directors

The directors at 31 March 2003 and their beneficial interests in the company's issued ordinary share capital, were as follows:

	<i>Number of ordinary shares</i>	
	<i>31 March 2003</i>	<i>31 March 2002</i>
B Gardner (Chairman)	Nil	Nil
R K Jeha	Nil	Nil
C J Burke	Nil	Nil
P Cassidy	Nil	Nil
S Billet	Nil	Nil
M Hughes	Nil	Nil
J van Leeuwen	Nil	Nil

Mr G Burgess resigned on 14 November 2002, Mr V Tyson resigned on 25 November 2002, Mr M Hughes resigned on 28 April 2003.

Mr Gardner, Mr Jeha, Mr Burke and Mr Hughes are directors of Farne Holdings Limited and their shareholdings in that company are disclosed in that company's directors' report. Mr Cassidy and Mr Billet hold 9,600 'C' ordinary shares in Farne Holdings Limited. Mr van Leeuwen does not hold any shares in Farne Holdings Limited.

Disabled persons

Disabled persons are employed by the company when they appear to be suited to a particular vacancy.

Due to the type of work involved, the environmental conditions and the high standard of hygiene to be maintained, the production area is unsuitable for many disabled persons. As a result of this, the proportion of registered disabled people is generally less than that stipulated by the Disabled Persons (Employment) Acts 1944 and 1958.

For these reasons the company has applied for and been granted a dispensation which is renewed every six months in accordance with relevant legislation.

Directors' report

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Secretary

22 July 2003

Statement of directors' responsibilities in respect of the financial statements

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 for that period. In preparing those financial statements, the directors are required to:

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

Independent auditors' report

to the members of Farne Salmon and Trout Limited

We have audited the company's financial statements for the year ended 31 March 2003 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 United Kingdom law and 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. 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 affairs of the company as at 31 March 2003 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

22 July 2003

Profit and loss account

for the year ended 31 March 2003

		<i>Year ended 31 March 2003 £000</i>	<i>15 Months ended 31 March 2002 £000</i>
	<i>Notes</i>		
Turnover	3	22,030	26,518
Cost of sales		20,407	24,274
Gross profit		1,623	2,244
Sales and distribution costs		1,302	1,924
Administrative expenses		842	1,295
Operating loss	4	(521)	(975)
Exceptional item			
Inter-group balance waived		-	3,220
Interest receivable	6	(1)	(2)
Interest payable	7	329	394
(Loss)/profit on ordinary activities before tax		(849)	1,853
Tax on (loss)/profit on ordinary activities	8	-	-
(Loss)/profit for the financial period		(849)	1,853

There were no recognised gains or losses other than those included in the profit and loss account.

Balance sheet

at 31 March 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	5,888	6,187
Investments	10	-	-
		<u>5,888</u>	<u>6,187</u>
Current assets			
Stocks	11	1,832	1,218
Debtors	12	2,492	3,416
Cash at bank and in hand		44	20
		<u>4,368</u>	<u>4,654</u>
Creditors: amounts falling due within one year	13	5,454	5,737
Net current liabilities		<u>(1,086)</u>	<u>(1,083)</u>
Total assets less current liabilities		<u>4,802</u>	<u>5,104</u>
Creditors: amounts falling due after more than one year	14	6,029	5,318
Deferred income			
Deferred government grants	16	188	352
Deficiency of assets		<u>(1,415)</u>	<u>(566)</u>
Capital and reserves			
Called up share capital	17	89	89
Share premium account	18	153	153
Profit and loss account	18	(1,657)	(808)
Shareholders' funds - equity	19	<u>(1,415)</u>	<u>(566)</u>



Director

22 July 2003

Notes to the financial statements

at 31 March 2003

1. Fundamental accounting concept

The financial statements have been prepared on the going concern basis because the company's intermediate holding company has agreed not to seek repayment of its loan for the foreseeable future.

2. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

This represents the invoiced amounts of goods sold and services supplied by the company, net of Value Added Tax and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Provision is made for depreciation on all tangible fixed assets, at rates calculated to write off the cost or valuation, less their estimated residual value, over their expected useful lives on the following bases:

Heritable property	-	4% reducing balance
Office equipment	-	15% straight line basis
Plant and machinery	-	30% straight line basis
Motor vehicles	-	25% to 33% reducing balance basis

Where tangible fixed assets were purchased during the period, depreciation has been computed on the basis stated above, but the provision has been restricted to that proportion of the period for which the asset was used by the company.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making allowance for obsolete and slow moving items. Cost includes all direct costs together with attributable variable overheads based on normal production levels.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in a obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Leasing and hire purchase

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible fixed assets and are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Notes to the financial statements

at 31 March 2003

2. Accounting policies

(continued)

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. All exchange differences are taken into account in arriving at the operating profit.

Government grants

Grants related to expenditure on tangible fixed assets are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

3. Turnover

Turnover is attributable to one continuing activity, the sale of processed fish.

	2003 £000	2002 £000
Sale of processed fish in the UK and mainland Europe	22,030	26,518

4. Operating loss

	2003 £000	2002 £000
This is stated after charging/(crediting):		
Directors' emoluments (note 5)	299	339
Auditors' remuneration - as auditors	24	25
- other services	6	6
Depreciation of tangible fixed assets		
- owned by the company	743	984
- held under finance leases and hire purchase contracts	195	152
Operating lease rentals - plant and machinery	23	35
- vehicles	56	50
Government grants released	(123)	(111)
Operating Exceptional Items		
- charge for over-rider payments in relation to prior years	-	50
- charges for crates in relation to prior years	-	65

Notes to the financial statements

at 31 March 2003

5. Employee information

Staff costs, including directors' remuneration, were as follows:

	2003 £000	2002 £000
Wages and salaries	6,160	8,027
Social security costs	300	567
Other pension costs	54	67
	<u>6,514</u>	<u>8,661</u>

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

	2003 No.	2002 No.
Administration	9	11
Marketing	4	44
Quality control	22	27
Production	447	471
	<u>482</u>	<u>553</u>

Directors' emoluments

	2003 £000	2002 £000
Emoluments	273	320
Company contributions to money purchase pension scheme	26	19
Compensation for loss of office	64	-
	<u>363</u>	<u>339</u>

Three directors have benefits accruing to them under a money purchase pension scheme.

The amounts in respect of the highest paid director are as follows:

	£000
Emoluments	82,036
Company contributions to money purchase schemes	<u>8,100</u>

Notes to the financial statements

at 31 March 2003

6. Interest receivable

	2003 £000	2002 £000
Bank interest	1	2

7. Interest payable

	2003 £000	2002 £000
Finance leases and hire purchase contracts	91	34
Bank loans and overdrafts	24	254
Other interest	214	106
	<u>329</u>	<u>394</u>

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

	2003 £000	2002 £000
UK corporation tax	-	-
Deferred taxation - current year	-	-
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the period

The tax assessed on the (loss)/profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:-

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	(849)	1,853
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2001: 30.00%)	(255)	556
Effect of:		
Disallowed expenses and non-taxable income	6	(961)
Depreciation in excess of capital allowances	166	(304)
Short term timing differences	(40)	(34)
Tax losses brought forward	123	743

Factors that may affect future tax charges

Deferred tax assets of £2,354,000 primarily consisting of tax losses carried forward and capital allowances, have not been recognised as there is insufficient evidence as to their recoverability in the foreseeable future. The assets are recoverable against future taxable trading profits.

Notes to the financial statements

at 31 March 2003

9. Tangible fixed assets

	<i>Freehold buildings</i>	<i>Plant and machinery</i>	<i>Total</i>
Cost:	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 31 March 2002	5,345	10,970	16,315
Additions	-	639	639
Disposals	-	-	-
At 31 March 2003	5,345	11,609	16,954
Depreciation:			
At 31 March 2002	2,038	8,090	10,128
Charge for year	131	807	938
Disposals	-	-	-
At 31 March 2003	2,169	8,897	11,066
Net book value			
At 31 March 2003	3,176	2,712	5,888
At 31 March 2002	3,307	2,880	6,187

The net book value of plant and machinery etc includes assets held under finance leases or hire purchase contracts amounting to £842,725 (2002: £675,862).

10. Investments

Details of the investment are as follows:

<i>Name of company</i>	<i>Description of shares held</i>	<i>Proportion of voting rights and shares held</i>	
		<i>2003</i>	<i>2002</i>
Thomas Ballantyne Salmon Limited	Ordinary shares of £1 each	100%	100%

The above company is incorporated in Scotland and does not trade.

11. Stocks

	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	547	446
Work in progress	298	146
Finished goods and goods for resale	987	626
	1,832	1,218

Notes to the financial statements

at 31 March 2003

12. Debtors

	2003 £000	2002 £000
Due within one year:		
Trade debtors	1,883	2,990
Value added tax repayments due	51	24
Corporation tax recoverable	-	1
Other debtors	7	4
Prepayments	551	397
	<u>2,492</u>	<u>3,416</u>

13. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft	-	285
Obligations under finance leases and hire purchase contracts (secured) (see note 14)	337	221
Trade creditors	2,817	2,268
Other taxes and social security costs	525	221
Accruals	631	924
Other creditors	1,144	1,818
	<u>5,454</u>	<u>5,737</u>

Other creditors are secured by a bond and floating charge over the company's assets.

The finance leases and hire purchase contracts are secured by a standard security over the property and the individual assets.

14. Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Obligations under finance leases and hire purchase contracts (secured)	401	434
Amounts owed to group companies	1,005	261
Amounts owed to intermediate parent undertaking	4,623	4,623
	<u>6,029</u>	<u>5,318</u>

Amounts due under finance leases and hire purchase contracts:

	2003 £000	2002 £000
Amounts payable:		
Within one year (note 13)	337	221
In two to five years	401	434
	<u>738</u>	<u>655</u>

Notes to the financial statements

at 31 March 2003

15. Provisions for liabilities and charges

Deferred taxation provided in the financial statements is as follows:

	2003 £000	2002 £000
Accelerated capital allowances	-	-
Other timing differences	-	-
	<u>-</u>	<u>-</u>

16. Government grants

	2003 £000	2002 £000
At 31 March 2002	352	379
Grants received in the period	-	84
Released to profit and loss account	(164)	(111)
At 31 March 2003	<u>188</u>	<u>352</u>

17. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2003 <i>No.</i>	2002 <i>No.</i>	2003 £000	2002 £000
Ordinary shares of £1 each	135,000	135,000	89	89

18. Reserves

	<i>Share premium account</i> £000	<i>Profit and loss account</i> £000
Balance at 31 March 2002	153	(808)
Loss incurred in the year	-	(849)
Balance at 31 March 2003	<u>153</u>	<u>(1,657)</u>

19. Reconciliation of movements on shareholders' funds

	2003 £000	2002 £000
Shareholders' funds at 31 March 2002	(566)	(2,419)
(Loss)/profit for the year	(849)	1,853
Shareholders' funds at 31 March 2003	<u>(1,415)</u>	<u>(566)</u>

Notes to the financial statements

at 31 March 2003

20. Commitments and contingent liabilities

Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the group in independently administered funds.

Other financial commitments

The annual commitment under non-cancellable operating leases is as follows:

	<i>Plant and machinery</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Lease expiring:		
within one year	27	23
within two to five years	65	55
	<u>92</u>	<u>78</u>

Commitments under forward contracts

The company has agreed 5 contracts to sell €350,000 at a rate of 0.6557 to the pound sterling, each being equivalent to £229,495 and expiring on 28 May 2003, 26 June 2003, 29 July 2003, 27 August 2003, 26 September 2003.

21. Parent undertaking

The directors regard Business Development Corporation BDC5 Limited, a company registered in Guernsey, as the ultimate parent undertaking.

The parent undertakings of the smallest and largest groups of which the company is a member and for which group financial statements are prepared are Farne Holdings Limited, a company registered in Scotland, and Business Development Corporation BDC5 Limited, respectively.