

Report of the Directors and
Financial Statements for the Year Ended 31st December 2004
for
Salmon Developments Plc

2424275



Salmon Developments Plc

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for the Year Ended 31st December 2004

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Salmon Developments Plc
Company Information
for the Year Ended 31st December 2004

DIRECTORS:

R F Henderson
S K Kuntze
R A Martin
D J Stewart
P Hughes

SECRETARY:

P Hughes

REGISTERED OFFICE:

46 Mount Street
London
W1K 2HH

REGISTERED NUMBER:

2424275

AUDITORS:

Meyer Williams
Queen Alexandra House
Bluecoats Avenue
Hertford
Herts.
SG14 1PB
REGISTERED AUDITOR

Salmon Developments Plc

Report of the Directors
for the Year Ended 31st December 2004

The directors present their report with the financial statements of the company for the year ended 31st December 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property developers and dealers.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

The directors do not recommend the payment of a final dividend on the ordinary shares. A fixed cumulative preferential dividend totalling £120,000 is proposed to be paid to the holders of participating preferred ordinary shares.

DIRECTORS

The directors during the year under review were:

R F Henderson
S K Kuntze
R A Martin
D J Stewart
P J Blackman - appointed 30.07.2004 and resigned 05.01.2005
K P Stoodley - resigned 30.06.2004
P A Pollard - resigned 31.01.2004

P Hughes was appointed a director on 4th January 2005

DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the directors in the issued share capital of the company were as follows:

	Share Class	31st December 2004	01.01.04 or date of appointment if later
R F Henderson	Ordinary	23,125	21,250
	Participating preferred	50	50
S K Kuntze	Ordinary	3,750	2,500
D J Stewart	Ordinary	23,125	21,250
	Participating preferred	220	220
K P Stoodley	Ordinary	-	2,500
P A Pollard	Ordinary	-	2,500

CREDITORS PAYMENT POLICY

Trade creditors are settled in accordance with their agreed payment terms.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no charitable donations during the year (2003: Nil).

Salmon Developments Plc

Report of the Directors
for the Year Ended 31st December 2004

STATEMENT OF 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 affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

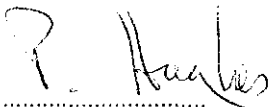
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

A resolution to re-appoint Meyer Williams will be put to the members at the Annual General Meeting.

ON BEHALF OF THE BOARD:



P Hughes - SECRETARY

Dated: 10th March 2005

Salmon Developments Plc

Report of the Independent Auditors to the Shareholders of
Salmon Developments Plc

We have audited the financial statements of Salmon Developments Plc for the year ended 31st December 2004 on pages five to twenty. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 auditor's 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 on page three 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

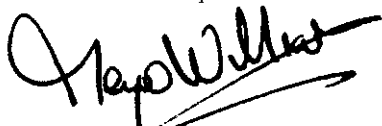
Basis of audit opinion

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 and of the group as at 31st December 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Meyer Williams
Queen Alexandra House
Bluecoats Avenue
Hertford
Herts.
SG14 1PB
REGISTERED AUDITOR

Dated: 14th March 2005

Salmon Developments Plc

Consolidated Profit and Loss Account
for the Year Ended 31st December 2004

		<u>31.12.04</u>	<u>31.12.03</u>
	Notes	£	£
TURNOVER		14,089,599	6,323,526
Less: share of associate		<u>(13,646,396)</u>	<u>(6,125,653)</u>
GROUP TURNOVER		443,203	197,873
Other operating income		<u>768,902</u>	<u>762,000</u>
		1,212,105	959,873
Administrative expenses		<u>(1,374,133)</u>	<u>(1,185,014)</u>
OPERATING LOSS	3	(162,028)	(225,141)
Loans written off by former directors		-	80,000
Share of associate's operating profit/(loss)		422,007	(691,226)
Interest receivable and similar income		<u>310,704</u>	<u>129,250</u>
		570,683	(707,117)
Interest payable and similar charges	4	<u>(19,536)</u>	<u>(43,816)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		551,147	(750,933)
Tax (charge)/credit on profit/(loss) on ordinary activities	5	<u>(197,441)</u>	<u>178,116</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		353,706	(572,817)
Dividends	6	<u>(120,000)</u>	<u>(120,000)</u>
		233,706	(692,817)
Retained profit brought forward		<u>1,294,246</u>	<u>1,987,063</u>
RETAINED PROFIT CARRIED FORWARD	16	<u><u>£1,527,952</u></u>	<u><u>£1,294,246</u></u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

Salmon Developments Plc

Consolidated Balance Sheet
31st December 2004

		<u>31.12.04</u>		<u>31.12.03</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	8		4,003		-
Investments	9		<u>2,272,527</u>		<u>1,719,785</u>
			2,276,530		1,719,785
CURRENT ASSETS:					
Debtors	10	387,538		157,595	
Cash at bank and in hand		<u>380,922</u>		<u>347,316</u>	
		768,460		504,911	
CREDITORS: Amounts falling due within one year	11	<u>(1,289,789)</u>		<u>(668,201)</u>	
NET CURRENT LIABILITIES:			<u>(521,329)</u>		<u>(163,290)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			1,755,201		1,556,495
CREDITORS: Amounts falling due after more than one year	12		<u>-</u>		<u>(35,000)</u>
			<u><u>£1,755,201</u></u>		<u><u>£1,521,495</u></u>
CAPITAL AND RESERVES:					
Called up share capital	15		13,500		13,500
Profit and loss account	16		1,527,952		1,294,246
Revaluation reserve	17		176,249		176,249
Capital redemption reserve	18		<u>37,500</u>		<u>37,500</u>
SHAREHOLDERS' FUNDS (including non-equity interests):	22		<u><u>£1,755,201</u></u>		<u><u>£1,521,495</u></u>

SIGNED ON BEHALF OF THE BOARD:



R F Henderson - DIRECTOR



D J Stewart - DIRECTOR

Approved by the Board on 10th March 2005

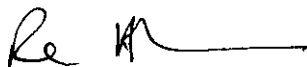
The notes form part of these financial statements

Salmon Developments Plc

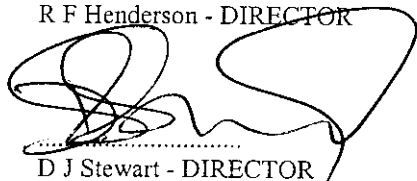
Balance Sheet
31st December 2004

		<u>31.12.04</u>		<u>31.12.03</u>	
	Note	£	£	£	£
FIXED ASSETS:					
Tangible assets	8		4,003		-
Investments	9		<u>2,352,553</u>		<u>2,352,553</u>
			2,356,556		2,352,553
CURRENT ASSETS:					
Debtors	10	387,538		157,595	
Cash at bank and in hand		<u>380,418</u>		<u>346,803</u>	
		767,956		504,398	
CREDITORS: Amounts falling due within one year	11	<u>(1,651,580)</u>		<u>(1,029,991)</u>	
NET CURRENT LIABILITIES:			<u>(883,624)</u>		<u>(525,593)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			1,472,932		1,826,960
CREDITORS: Amounts falling due after more than one year	12		<u>-</u>		<u>(35,000)</u>
			<u><u>£1,472,932</u></u>		<u><u>£1,791,960</u></u>
CAPITAL AND RESERVES:					
Called up share capital	15		13,500		13,500
Profit and loss account	16		1,245,683		1,564,711
Revaluation reserve	17		176,249		176,249
Capital redemption reserve	18		<u>37,500</u>		<u>37,500</u>
SHAREHOLDERS' FUNDS (including non-equity interests):			<u><u>£1,472,932</u></u>		<u><u>£1,791,960</u></u>

SIGNED ON BEHALF OF THE BOARD:



R F Henderson - DIRECTOR



D J Stewart - DIRECTOR

Approved by the Board on 10th March 2005

The notes form part of these financial statements

Salmon Developments Plc

Consolidated Cash Flow Statement
for the Year Ended 31st December 2004

		<u>31.12.04</u>	<u>31.12.03</u>
	Notes	£	£
Net cash inflow/(outflow) from operating activities	1	130,976	(2,974)
Returns on investments and servicing of finance	2	(10,933)	(1,750)
Taxation		(11,053)	(22,427)
Capital expenditure	2	(5,384)	-
		<u>103,606</u>	<u>(27,151)</u>
Financing	2	<u>(70,000)</u>	<u>-</u>
Increase/(Decrease) in cash in the period		<u>£33,606</u>	<u>£(27,151)</u>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	3	<u>33,606</u>	<u>(27,151)</u>
Change in net funds resulting from cash flows		<u>33,606</u>	<u>(27,151)</u>
Movement in net funds in the period		33,606	(27,151)
Net funds at 1st January		<u>347,316</u>	<u>374,467</u>
Net funds at 31st December		<u>£380,922</u>	<u>£347,316</u>

The notes form part of these financial statements

Salmon Developments Plc

Notes to the Cash Flow Statement
for the Year Ended 31st December 2004

1. **RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	31.12.04	31.12.03
	£	£
Operating loss	(162,028)	(225,141)
Depreciation charges	1,381	6,372
(Increase)/decrease in debtors	(244,965)	47,108
Increase/(decrease) in creditors	<u>536,588</u>	<u>168,687</u>
Net cash inflow/(outflow) from operating activities	<u><u>130,976</u></u>	<u><u>(2,974)</u></u>

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	31.12.04	31.12.03
	£	£
Returns on investments and servicing of finance		
Interest received	8,570	7,176
Interest paid	<u>(19,503)</u>	<u>(8,926)</u>
Net cash outflow for returns on investments and servicing of finance	<u><u>(10,933)</u></u>	<u><u>(1,750)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	<u>(5,384)</u>	<u>-</u>
Net cash outflow for capital expenditure	<u><u>(5,384)</u></u>	<u><u>-</u></u>
Financing		
Loan repayments	<u>(70,000)</u>	<u>-</u>
Net cash outflow from financing	<u><u>(70,000)</u></u>	<u><u>-</u></u>

The notes form part of these financial statements

Salmon Developments Plc

Notes to the Cash Flow Statement
for the Year Ended 31st December 2004

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.04 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank and in hand	<u>347,316</u>	<u>33,606</u>	<u>380,922</u>
 Total	 <u>347,316</u>	 <u>33,606</u>	 <u>380,922</u>
 Analysed in Balance Sheet			
Cash at bank and in hand	<u>347,316</u>		<u>380,922</u>

The notes form part of these financial statements

1. **ACCOUNTING POLICIES**

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of a fixed asset investment, and comply with all applicable accounting standards.

Basis of consolidation

The group financial statements comprise a consolidation of the financial statements of the holding company and its subsidiary undertakings for the year ended 31 December 2004.

An associated undertaking is included in the group financial statements on the equity accounting basis.

In accordance with Section 230 of the Companies Act 1985, the company has elected not to present its own profit and loss account.

Turnover

Turnover represents the invoiced value of goods and services supplied and the value of long term contract work done, and is stated exclusive of VAT.

Long term contracts

Turnover on long term contracts is recognised according to the nature of the contract and the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Work in progress is stated at the lower of cost and net realisable value. The costs on development projects not yet taken to the profit and loss account, less foreseeable losses and payments on account, are shown in work in progress.

Intangible fixed assets

Goodwill arising upon the acquisition of subsidiaries has been fully amortised to the profit and loss account over its estimated useful life, in accordance with the provisions of FRS10.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment	- 25% on cost
Computer equipment	- 33.3% on cost

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date except those relating to revalued assets.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account evenly over the period of the lease.

Cash and liquid resources

For the purposes of the cashflow statement, cash and liquid resources are defined as cash at bank and in hand and bank overdraft balances.

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

2. **STAFF COSTS**

	31.12.04	31.12.03
	£	£
Wages and salaries	974,500	845,455
Social security costs	<u>104,544</u>	<u>95,842</u>
	<u><u>1,079,044</u></u>	<u><u>941,297</u></u>

The average monthly number of employees during the year was as follows:

	31.12.04	31.12.03
Management	6	6
Administration	<u>3</u>	<u>3</u>
	<u><u>9</u></u>	<u><u>9</u></u>

3. **OPERATING LOSS**

The operating loss is stated after charging:

	31.12.04	31.12.03
	£	£
Depreciation - owned assets	1,381	6,372
Hire of plant and machinery	9,129	8,135
Other operating lease costs	106,685	106,657
Auditors' remuneration	12,492	11,000
Auditors' remuneration - non audit services	<u>1,008</u>	<u>3,900</u>
	<u><u>814,279</u></u>	<u><u>677,212</u></u>

Information regarding the highest paid director is as follows:

	31.12.04	31.12.03
	£	£
Emoluments and benefits in kind	<u><u>383,213</u></u>	<u><u>167,196</u></u>

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	31.12.04	31.12.03
	£	£
Loans and bank overdraft wholly repayable within five years	4,492	2,488
Interest payable on late payment of dividends	15,011	6,438
Share of associate	<u>33</u>	<u>34,890</u>
	<u><u>19,536</u></u>	<u><u>43,816</u></u>

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

5. **TAXATION**

Analysis of the tax (credit)/charge

The tax (charge)/credit on the profit/(loss) on ordinary activities for the year was as follows:

	31.12.04 £	31.12.03 £
Current tax:		
UK corporation tax	11,053	26,075
Under provided in respect of earlier years	(37,128)	-
Share of associate	<u>(73,714)</u>	<u>(3,335)</u>
Total current tax	<u>(99,789)</u>	<u>22,740</u>
Deferred tax:		
Share of associate	<u>(97,652)</u>	<u>155,376</u>
Total deferred tax	<u>(97,652)</u>	<u>155,376</u>
Tax on profit/(loss) on ordinary activities	<u>(197,441)</u>	<u>178,116</u>

Factors affecting the tax (charge)/credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.04 £	31.12.03 £
Profit/(loss) on ordinary activities before tax	<u>551,147</u>	<u>(750,933)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2003 – 19.25%)	(104,718)	144,554
Effects of:		
Expenses not deductible for tax purposes	(3,296)	(2,493)
Capital allowances for period in excess of depreciation	677	(511)
Non taxable income from loans written off by former directors	-	15,400
Utilisation of tax losses	95,459	3,869
Adjustments in respect of associate	(31,593)	(119,613)
Adjustments in respect of prior periods	(37,128)	-
Increase in trading losses carried forward	<u>(19,190)</u>	<u>(18,466)</u>
Current tax (charge)/credit	<u>(99,789)</u>	<u>22,740</u>

6. **DIVIDENDS**

	31.12.04 £	31.12.03 £
Non equity shares:		
Participating preferred shares	<u>120,000</u>	<u>120,000</u>

Dividends payable in Note 11 include arrears of £120,000 from the previous year and £118,685 from 2002.

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

7. **PROFIT/(LOSS) FOR THE FINANCIAL YEAR**

	31.12.04	31.12.03
This is reported in the accounts of:	£	£
Holding company	(199,028)	(140,914)
Subsidiaries	(8)	20,098
Associate	<u>552,742</u>	<u>(452,001)</u>
	<u>353,706</u>	<u>(572,817)</u>

8. **TANGIBLE FIXED ASSETS**
The Group and the Company

	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Totals</u>
	£	£	£
COST:			
At 1st January 2004	35,173	23,395	58,568
Additions	<u>-</u>	<u>5,384</u>	<u>5,384</u>
At 31st December 2004	<u>35,173</u>	<u>28,779</u>	<u>63,952</u>
DEPRECIATION:			
At 1st January 2004	35,173	23,395	58,568
Charge for year	<u>-</u>	<u>1,381</u>	<u>1,381</u>
At 31st December 2004	<u>35,173</u>	<u>24,776</u>	<u>59,949</u>
NET BOOK VALUE:			
At 31st December 2004	<u>-</u>	<u>4,003</u>	<u>4,003</u>
At 31st December 2003	<u>-</u>	<u>-</u>	<u>-</u>

9. **FIXED ASSET INVESTMENTS**

The Group

	<u>Shares in associate</u>	<u>Share of (loss)/profit of associate</u>	<u>Totals</u>
	£	£	£
COST:			
At 1st January 2004	2,000,000	(280,215)	1,719,785
Movement in the year	<u>-</u>	<u>552,742</u>	<u>552,742</u>
At 31st December 2004	<u>2,000,000</u>	<u>272,527</u>	<u>2,272,527</u>

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

9. **FIXED ASSET INVESTMENTS - continued**

The Group

Investment in associated undertaking

The consolidated financial statements include the following associated undertaking using the equity method:

Salmon Harvester Properties Limited

Nature of business: Property developer

	%
Class of shares:	holding
Ordinary	50.00

The aggregate of the group's share of associates' assets and liabilities are as follows:

	31.12.04	31.12.03
	£	£
Fixed assets	<u>161</u>	<u>161</u>
Current assets	<u>8,526,868</u>	<u>13,411,494</u>
Liabilities due within one year	<u>6,254,503</u>	<u>11,691,870</u>

The Company

	Shares in subsidiaries	Shares in associate	Loans to subsidiary	Totals
	£	£	£	£
COST:				
At 1st January and 31st December 2004	<u>53</u>	<u>2,000,000</u>	<u>352,500</u>	<u>2,352,553</u>

Shares in subsidiaries:

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Salmon Investments and Developments Limited

Nature of business: Property developer

	%
Class of shares:	holding
Ordinary	100.00

Salmon Properties Limited

Nature of business: Non trading

	%
Class of shares:	holding
Ordinary	100.00

Salcim Limited

Nature of business: Non trading

	%
Class of shares:	holding
Ordinary	100.00

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

10. **DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

The Group and the Company

	31.12.04 £	31.12.03 £
Trade debtors	345,395	93,412
Other debtors	92	95
Prepayments and accrued income	30,998	38,013
Corporation tax	<u>11,053</u>	<u>26,075</u>
	<u>387,538</u>	<u>157,595</u>

11. **CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

The Group

	31.12.04 £	31.12.03 £
Trade creditors	-	11,275
Other loans (see note 13)	-	35,000
Dividends proposed	358,685	238,685
Social security and other taxes	217,102	89,721
Amount owed to associated undertaking	-	1,430
Accruals and deferred income	<u>714,002</u>	<u>292,090</u>
	<u>1,289,789</u>	<u>668,201</u>

The Company

Other loans	-	35,000
Trade creditors	-	11,275
Amounts owed to subsidiaries	361,796	363,225
Dividends proposed	358,685	238,685
Social security and other taxes	217,102	89,721
Accruals and deferred income	<u>713,997</u>	<u>292,085</u>
	<u>1,651,580</u>	<u>1,029,991</u>

12. **CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

The Group and the Company

	31.12.04 £	31.12.03 £
Other loans (see note 13)	<u>-</u>	<u>35,000</u>

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

13. **LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

The Group and the Company	31.12.04 £	31.12.03 £
Amounts falling due within one year or on demand:		
Other loans	-	35,000
	-	35,000
Amounts falling due between one and two years:		
Other loans	-	35,000

14. **OBLIGATIONS UNDER LEASING AGREEMENTS**

The group has the following payments committed to be paid within one year:

	Operating leases			
	Land and buildings		Other	
	31.12.04 £	31.12.03 £	31.12.04 £	31.12.03 £
Expiring:				
Within one year	<u>106,685</u>	<u>106,685</u>	<u>7,221</u>	<u>9,129</u>

15. **CALLED UP SHARE CAPITAL**

Authorised:		Nominal value:	31.12.04 £	31.12.03 £
Number:	Class:			
50,000	Ordinary shares	£1	50,000	50,000
270	Participating preferred shares	£1	270	270
730	Preference shares	£1	730	730
			<u>51,000</u>	<u>51,000</u>
Issued:		Nominal value:	31.12.04 £	31.12.03 £
Number:	Class:			
50,000	Ordinary shares (25p paid)	£1	12,500	12,500
270	Participating preferred shares	£1	270	270
730	Preference shares	£1	730	730
			<u>13,500</u>	<u>13,500</u>

Notes to the Financial Statements
for the Year Ended 31st December 2004

15. **CALLED UP SHARE CAPITAL - continued**

The interests of the preference shareholders and the participating preferred shareholders have been classified as non equity.

The rights of the preference shareholders include the entitlement to receive dividends calculated by reference to a proportion of the cleared funds distributed to the company in respect of certain development profits during the year ended 31st December 2004 and any subsequent year. The preference dividends are payable until the aggregate amount of all dividends which have been paid is equal to £1,400,000.

On a return of capital on a winding up or otherwise the assets of the company available for distribution to its members shall be applied, firstly to making payments to the holders of preference shares. The amount to be paid to the preference shareholders in priority to the other shareholders will be firstly, a sum equal to all arrears of the preference dividend and secondly, a sum equal to the nominal amount but excluding any premium paid up on the preference shares. The preference shares do not carry an entitlement to vote at a general meeting.

The rights of the participating preferred shareholders include the entitlement to receive a dividend of £120,000 in respect of each financial year to be distributed amongst the shareholders. The dividend is payable after the preference dividend (if any) and any arrears of the preference dividend have been paid in full but in priority to any payment of a dividend to the holders of all other shares in the capital of the company.

On a return of capital on a winding up or otherwise the assets of the company available for distribution to its members shall be applied in making payments to the holders of participating preferred shares, subject to the above mentioned rights attaching to the preference shares but in priority to any payment to the holders of all other shares in the capital of the company, of firstly, a sum equal to all arrears of the preferred dividend and secondly, the sum of £2,000,000. The participating preferred shares do not carry an entitlement to vote at a general meeting.

16. **PROFIT AND LOSS ACCOUNT**

	Group	Company
	£	£
As at 1st January 2004	1,294,246	1,564,711
Profit/(loss) for the year	353,706	(199,028)
Dividends	<u>(120,000)</u>	<u>(120,000)</u>
As at 31st December 2004	<u>1,527,952</u>	<u>1,245,683</u>

17. **REVALUATION RESERVE**
The Group and the Company

	Group	Company
	£	£
As at 1st January 2004 and 31st December 2004	<u>176,249</u>	<u>176,249</u>

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

18. **CAPITAL REDEMPTION RESERVE**

The Group and the Company

	Group £	Company £
As at 1st January 2004 and 31st December 2004	<u>37,500</u>	<u>37,500</u>

19. **ULTIMATE CONTROLLING PARTY**

There has been no ultimate controlling party of the group throughout the current or preceding year.

20. **CONTINGENT LIABILITIES**

Additional consideration, up to a maximum of £856,288 is potentially payable by the company to the previous owner of a subsidiary, the level of which is dependant upon the future taxable profits generated by the subsidiary.

21. **RELATED PARTY DISCLOSURES**

The group and the company has taken advantage of the exemptions provided by Financial Reporting Standard 8 and has not reported transactions and balances with other group companies that are eliminated upon consolidation.

During the year, Salmon Developments Plc entered into the following transactions with its associated undertaking Salmon Harvester Properties Limited:

	31.12.04 £	31.12.03 £
Project management fees earned	36,000	-
Contribution to management costs	<u>750,000</u>	<u>750,000</u>

At the year end the group owed £ nil to Salmon Harvester Properties Limited (2002: £1,430).

Salmon Developments Plc

Notes to the Financial Statements
for the Year Ended 31st December 2004

22. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

The Group	31.12.04	31.12.03
	£	£
Profit/(loss) for the financial year	353,706	(572,817)
Dividends	(120,000)	(120,000)
Net increase/(reduction) to shareholders' funds	233,706	(692,817)
Opening shareholders' funds	1,521,495	2,214,312
Closing shareholders' funds	1,755,201	1,521,495
 Equity interests	 1,754,201	 1,520,495
Non-equity interests	1,000	1,000
	1,755,201	1,521,495
 The Company	 31.12.04	 31.12.03
	£	£
Loss for the financial year	(199,028)	(140,914)
Dividends	(120,000)	(120,000)
Net (reduction) to shareholders' funds	(319,028)	(260,914)
Opening shareholders' funds	1,791,960	2,052,874
Closing shareholders' funds	£1,472,932	£1,791,960
 Equity interests	 1,471,932	 1,790,960
Non-equity interests	1,000	1,000
	£1,472,932	£1,791,960

23. **DEFERRED TAX**

The Group and the Company

	31.12.04	31.12.03
	£	£
The total potential liability, none of which has been provided for in these financial statements, is as follows:		
Revaluation of investment	52,875	52,875

Salmon Developments Plc

Detailed Profit and Loss Account
for the Year Ended 31st December 2004

	<u>31.12.04</u>		<u>31.12.03</u>	
	£	£	£	£
Income:				
Project and development income	443,203		177,873	
Management fee	<u>750,000</u>		<u>750,000</u>	
		1,193,203		927,873
Other income:				
Interest received	<u>8,570</u>		<u>7,073</u>	
		<u>8,570</u>		<u>7,073</u>
		1,201,773		934,946
Expenditure:				
Directors' remuneration	814,279		677,212	
Salaries	130,221		113,648	
Redundancy payments	30,000		54,595	
Employers NIC	104,544		95,842	
Staff training and recruitment	35,533		-	
Rent, service charge and utilities	137,440		131,131	
Rents receivable from sub-lettings	(18,902)		(12,000)	
Insurance	22,133		21,118	
Cleaning and repairs	7,257		7,093	
Printing, stationery, post and couriers	8,049		9,970	
Photocopier, printer and computer costs	17,198		6,697	
Telephone	15,658		16,219	
Travel, subsistence and entertaining	26,300		27,678	
Professional fees	711		1,031	
Audit and taxation fees	13,500		9,900	
Miscellaneous	<u>9,921</u>		<u>6,503</u>	
		<u>(1,353,842)</u>		<u>(1,166,637)</u>
		(152,069)		(231,691)
Finance costs:				
Loan interest	1,716		2,237	
Interest on late payment of dividend	15,011		6,438	
Bank charges and interest	<u>2,776</u>		<u>251</u>	
		<u>(19,503)</u>		<u>(8,926)</u>
		(171,572)		(240,617)
Depreciation:				
Computer equipment	<u>1,381</u>		<u>6,372</u>	
		<u>(1,381)</u>		<u>(6,372)</u>
		(172,953)		(246,989)
Exceptional item:				
Loans written off by former directors	<u>-</u>		<u>80,000</u>	
		<u>-</u>		<u>80,000</u>
NET (LOSS) FOR THE YEAR BEFORE TAXATION		<u><u>£(172,953)</u></u>		<u><u>£(166,989)</u></u>