

**TERREGLES SALMON
COMPANY LIMITED**

FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED

31 DECEMBER 2004



Company no SC107845

TERREGLES SALMON COMPANY LIMITED

FINANCIAL STATEMENTS

For the 18 months ended 31 December 2004

Company registration number: SC107845

Registered office: The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Director: William Baxter

Secretary: Basil C Baird

Bankers: HSBC Bank plc

Solicitors: Harper Macleod

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants

TERREGLES SALMON COMPANY LIMITED

FINANCIAL STATEMENTS

For the 18 months ended 31 December 2004

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TERREGLES SALMON COMPANY LIMITED

REPORT OF THE DIRECTOR

The director presents his report together with financial statements for the 18 months ended 31 December 2004.

Principal activity

The company is principally engaged in the growing and selling of smolts.

Business review

The profit for the 18 months ended 31 December 2004 after taxation amounted to £25,101 (12 months ended 30 June 2003: loss £39,229). The director does not recommend payment of a dividend.

Director

Mr W Baxter served in office as a director throughout the period and had no interest in the shares of the company.

Mr W Baxter is a director of the ultimate parent undertaking, Ettrick Trout Co Ltd, and his interest in that company's shares is disclosed in their financial statements.

Director's responsibilities for the financial statements

Company law requires the director to prepare financial statements for each financial year which give 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 these financial statements, the director is 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 director is responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

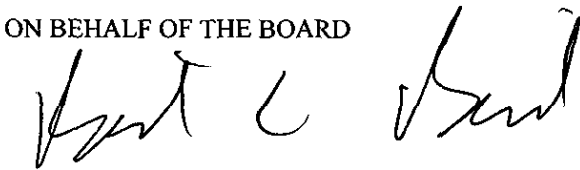
All movements in fixed assets are shown in note 6 to the financial statements.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Basil C Baird
Secretary
22 September 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**TERREGLES SALMON COMPANY LIMITED**

We have audited the financial statements of Terregles Salmon Company Limited for the 18 months ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 22. These financial statements have been prepared under 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 the director and auditors

The director's responsibilities for preparing the director's report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of director's responsibilities.

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 director's 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 director's remuneration and transactions with the company is not disclosed.

We read other information contained in the director's report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 director 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.

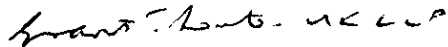
**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TERREGLES SALMON COMPANY LIMITED (CONTINUED)**

Going concern

In forming our opinion, we have considered the adequacy of disclosures made in note 1 of the financial statements, concerning the company's reliance on support from the group, its bankers and a supplier. In view of the significance of this support we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affair as at 31 December 2004 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
GLASGOW
22 SEPTEMBER 2005**

TERREGLES SALMON COMPANY LIMITED

PRINCIPLE ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company are as set out below and have remained unchanged from the previous period.

TURNOVER

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Construction costs and sheds	2%-4% straight line
Plant and equipment	15% reducing balance, 15%-20% straight line
Motor vehicles and caravans	15% and 25% straight line

STOCK AND WORK IN PROGRESS

Stock and work in progress is stated at the lower of cost and net realisable value.

Cost means purchase price of eggs, direct materials, direct labour and attributable production and other overheads after making allowances for normal mortalities.

Net realisable value means selling price (less trade discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

LEASED ASSETS

Assets held under finance leases are treated as if they had been purchased outright on credit. They are recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge.

Payment made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

PENSION COSTS

The pension costs charged against operating profits are the contributions payable in respect of the accounting period.

TERREGLES SALMON COMPANY LIMITED**PROFIT AND LOSS ACCOUNT**

For the 18 months ended 31 December 2004

	Note	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Turnover		1,511,254	1,179,741
Cost of sales		<u>1,000,842</u>	<u>859,557</u>
Gross profit		510,412	320,184
Distribution costs		216,173	201,616
Administrative expenses		<u>254,837</u>	<u>162,249</u>
Operating profit/(loss)		39,402	(43,681)
Interest payable and similar charges	3	<u>6,910</u>	<u>5,075</u>
Profit/(loss) on ordinary activities before taxation	2	32,492	(48,756)
Tax on ordinary activities	5	<u>7,391</u>	<u>(9,527)</u>
Profit/(loss) retained	14	<u><u>25,101</u></u>	<u><u>(39,229)</u></u>

There are no recognised gains or losses other than the results for the period.

All operations are classified as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

TERREGLES SALMON COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Note	31 December 2004 £	30 June 2003 £
Fixed assets			
Tangible assets	6	189,180	219,239
Current assets			
Stocks	7	351,349	334,277
Debtors	8	721,309	538,159
		1,072,658	872,436
Creditors: amounting falling due within one year	9	911,860	758,441
Net current assets		160,798	113,995
Total assets less current liabilities		349,978	333,234
Creditors: amounts falling due after more than one year	10	-	9,087
Provision for liabilities and charges			
Deferred taxation	11	23,154	22,424
		326,824	301,723
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	14	326,724	301,623
Shareholders' funds	13	326,824	301,723

The financial statements were approved by the Director on 22 September 2005.

William Baxter Director



The accompanying accounting policies and notes form an integral part of these financial statements.

TERREGLES SALMON COMPANY LIMITED

CASH FLOW STATEMENT

For the 18 months ended 31 December 2004

	Note	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Net cash (outflow)/inflow from operating activities	15	(122,239)	73,743
Servicing of finance			
Interest paid		(5,298)	(2,851)
Finance lease interest paid		<u>(1,612)</u>	<u>(2,224)</u>
Net cash outflow from servicing of finance		<u>(6,910)</u>	<u>(5,075)</u>
		(129,149)	68,668
Capital expenditure			
Purchase of tangible fixed assets		(18,140)	(11,726)
Sale of tangible fixed assets		-	12,000
Taxation			
Corporation tax recovered/(paid)		6,391	(6,391)
Financing			
Capital element of finance lease rentals	16	<u>(11,683)</u>	<u>(20,289)</u>
(Decrease)/increase in cash	17	<u>(152,581)</u>	<u>42,262</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

TERREGLES SALMON COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 18 months ended 31 December 2004

1 BASIS OF PREPARATION

The company meets its day to day working capital requirements by participating in funding arrangements for the Ettrick Trout Co Ltd group. In terms of these arrangements the group relies on ongoing support from its bankers and a supplier, who work together in supporting the group.

The group's bank facilities were reviewed in June 2005 and will be subject to further review in April 2006. In view of the group's relationship with their bankers, the directors of the company believe it is reasonable to rely on the continuing provision of appropriate facilities.

The level of support provided to the group by a supplier is continuing to be discussed on an ongoing basis and the directors of the company consider it appropriate to rely on the continuing provision of this support.

The directors of Ettrick Trout Co Ltd have recently prepared forecasts that show the group's working capital requirements for the 12 months from the date of the approval of these financial statements. These show that the extent of the group's support required from their bankers and the supplier will reduce over this period.

Whilst there can be no certainty the group will achieve its forecasts, the directors of Ettrick Trout Co Ltd consider that the group will continue to have adequate support from their bankers and the supplier to enable the group to operate satisfactorily for the foreseeable future. Accordingly the directors of the company believe that the company will be able to meet its liabilities as they fall due and therefore consider it is appropriate to prepare the financial statements on a going concern basis.

2 PROFIT/(LOSS) ON ORDINARY ACTIVITIES IS STATED AFTER:

The profit/(loss) on ordinary activities is stated after:

	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Auditors' remuneration	5,638	5,947
Depreciation	48,199	36,998
Loss on sale of assets	-	655

3 INTEREST PAYABLE AND SIMILAR CHARGES

	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Bank overdraft interest	5,298	2,851
Lease interest	1,612	2,224
	6,910	5,075

TERREGLES SALMON COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the 18 months ended 31 December 2004

4 DIRECTORS AND EMPLOYEES

The average number of employees of the company during the period and their aggregate emoluments are shown below:

	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Wages and salaries	290,334	205,258
Social security	26,303	19,952
Pension costs	5,139	3,746
	<u>321,776</u>	<u>228,956</u>
	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Average number of employees during the year	<u>12</u>	<u>11</u>

Staff costs include remuneration in respect of the directors as follows:

	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Management remuneration	<u>61,650</u>	<u>46,289</u>

5 TAX ON ORDINARY ACTIVITIES

The taxation charge/(credit) is based on the profit/(loss) for the period and is made up as follows:

	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Group relief paid/(received)	6,661	(6,391)
Deferred tax charge/(credit)	730	(2,590)
Adjustment in respect of prior year - Corporation tax	-	(546)
	<u>7,391</u>	<u>(9,527)</u>

TERREGLES SALMON COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 18 months ended 31 December 2004

TAX ON ORDINARY ACTIVITIES (CONT)

The taxation charge/(credit) for the period is reconciled as follows:

	18 months ended 31 December 2004 £	12 months ended 30 June 2003 £
Profit /(loss) on ordinary activities before tax	32,492	(48,756)
Profit /(loss) on ordinary activities multiplied by standard rate of corporation tax of 19%	6,173	(9,263)
Effect of:		
Deferred tax - accounted for @ 30%	253	(911)
Group relief - different tax rate used	15	-
Prior year tax refund at different rate	-	243
Permanent disallowables	950	950
Adjustment in respect of prior periods	-	(546)
Total taxation charge/(credit) for the period	7,391	(9,527)

6 TANGIBLE FIXED ASSETS

	Computer £	Plant & Equipment £	Construction Costs & Sheds £	Caravans & Motor Vehicles £	Total £
Cost					
At 1 July 2003	1,160	234,414	132,619	86,397	454,590
Additions	-	18,140	-	-	18,140
Disposals	-	-	-	-	-
At 31 December 2004	1,160	252,554	132,619	86,397	472,730
Depreciation					
At 1 July 2003	155	142,340	39,286	53,570	235,351
Provided in the year	348	22,125	6,967	18,759	48,199
On disposals	-	-	-	-	-
At 31 December 2004	503	164,465	46,253	72,329	283,550
Net book value at 31 December 2004	657	88,089	86,366	14,068	189,180
Net book value at 30 June 2003	1,005	92,074	93,333	32,827	219,239

TERREGLES SALMON COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 18 months ended 31 December 2004

TANGIBLE FIXED ASSETS (CONT)

Included in the above notes are assets held under finance leases as follows:

	Vehicles £
Net book value at 31 December 2004	<u>11,791</u>
Net book value at 30 June 2003	<u>24,198</u>
Depreciation charge for the period	<u>12,407</u>

7 STOCKS

	2004 £	2003 £
Juvenile salmon	342,560	326,459
Fish food	<u>8,789</u>	<u>7,818</u>
	<u>351,349</u>	<u>334,277</u>

The replacement value of the stock as calculated for insurance purposes was £653,664 (2003: £656,495). The stock was fully insured at 31 December 2004 and 30 June 2003.

8 DEBTORS

	2004 £	2003 £
Trade debtors	-	4,218
Amounts owed by group undertakings	668,785	476,281
Prepayments	33,252	26,412
VAT	19,272	24,857
Corporation tax recoverable	<u>-</u>	<u>6,391</u>
	<u>721,309</u>	<u>538,159</u>

TERREGLES SALMON COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the 18 months ended 31 December 2004

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank overdraft	178,123	25,542
Trade creditors	81,364	75,444
Amounts due to group undertakings	593,828	574,246
Social security and other taxes	10,171	12,658
Accruals and deferred income	43,011	56,437
Amounts due under finance leases	5,193	7,789
Other creditors - Directors loan account	170	6,325
	<u>911,860</u>	<u>758,441</u>

The bank overdraft is secured by a bond and floating charge over all the assets of the company.

In addition cross guarantees exist between the various companies within the Group in respect of bank facilities. At 31 December 2004 borrowings in respect of these charges and cross guarantees amounted to £2,680,676 (2003: £1,364,069).

There is a second ranking bond and floating charge over the assets of the company in favour of a supplier. At 31 December 2004 the amount owed by this company amounted to £19,130 (2003: £25,009) as part of a total amount owed by the group of £3,814,392 (2003: £3,978,836).

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Amounts due under finance leases	<u>-</u>	<u>9,087</u>

11 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is as set out below.

	2004 £	2003 £
Accelerated capital allowances	23,154	26,345
Less tax losses carried forward	<u>-</u>	<u>(3,921)</u>
	<u>23,154</u>	<u>22,424</u>

TERREGLES SALMON COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the 18 months ended 31 December 2004

12 SHARE CAPITAL

	2004 £	2003 £
Authorised Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Shareholders' funds at 1 July 2003	301,723	340,952
Profit/(loss) for the period/year	<u>25,101</u>	<u>(39,229)</u>
Shareholders' funds at 31 December 2004	<u>326,824</u>	<u>301,723</u>

14 RESERVES

	Profit and loss account £
At 1 July 2003	301,623
Profit for the period	<u>25,101</u>
At 31 December 2004	<u>326,724</u>

TERREGLES SALMON COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 18 months ended 31 December 2004

15 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£	£
Operating profit/(loss)	39,402	(43,681)
Depreciation	48,199	36,998
Loss on sale of assets	-	655
(Increase)/decrease in stocks	(17,072)	25,009
(Increase)/decrease in debtors	(196,202)	180,638
Increase/(decrease) in creditors	3,434	(125,876)
Net cash (outflow)/inflow from operating activities	<u>(122,239)</u>	<u>73,743</u>

16 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2003 £	Cashflow £	At 31 December 2004 £
Bank overdraft	(25,542)	(152,581)	(178,123)
Finance leases	(16,876)	11,683	(5,193)
	<u>(42,418)</u>	<u>(140,898)</u>	<u>(183,316)</u>

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004 £	2003 £
(Decrease)/increase in bank overdraft in period	(152,581)	42,262
Cash outflow from finance leases	<u>11,683</u>	<u>20,289</u>
Changes in net debt resulting from cash flows	(140,898)	62,551
Inception of finance leases	-	(29,973)
Net debt at 1 July 2003	<u>(42,418)</u>	<u>(74,996)</u>
Net debt at 31 December 2004	<u>(183,316)</u>	<u>(42,418)</u>

18 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2004 or 30 June 2003.

19 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2004 or 30 June 2003.

TERREGLES SALMON COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 18 months ended 31 December 2004

20 LEASING COMMITMENTS

Operating lease payments amounting to £52,000 (2003: £57,000) are due within one year.

The leases to which these amounts relate expire as follows:

	Land and Buildings	
	2004	2003
	£	£
In one year or less	42,000	42,000
In five years or more	15,000	15,000
	57,000	57,000

21 TRANSACTIONS WITH OTHER RELATED PARTIES

As a wholly owned subsidiary of Ettrick Trout Co Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Ettrick Trout Co Limited.

During the period the company paid Mr W Baxter, a director of the company and its holding company Ettrick Trout Co Limited, £30,000 for the rental of land (2003: £15,000).

22 CONTROLLING RELATED PARTY

The ultimate parent undertaking of this company is Ettrick Trout Co Limited.

Copies of the company accounts can be obtained from the company's registered office.

Mr W Baxter is the company's controlling related party by virtue of a controlling interest in the share capital of Ettrick Trout Co Limited.