



**F. SMALES & SON (FISH MERCHANTS) LIMITED
AND ITS SUBSIDIARIES**

FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31ST AUGUST 2006

Company Number: 1129885



F. SMALES & SON (FISH MERCHANTS) LIMITED

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F. SMALES & SON (FISH MERCHANTS) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2006

The directors present their report and the audited financial statements for the year ended 31st August 2006

Principal activities

The principal activities of the company and its subsidiary undertakings are those of fish processing, smoking, sales and distribution of fresh and frozen fish, shell fish and frozen food products

Business review

The financial year ended 31st August 2006 has been one of change and re-organisation for the Smales Group of Companies following the on-going consolidation in the food supply industry. The reduction in the Group's fish processing operation and the reconstruction of our Food Service Division resulted in a trading loss which has been partially reduced by the sale of redundant fixed assets. As part of this reorganisation the Group is concentrating on increasing its involvement in supplying chilled fish and seafood. In addition, the Group now supplies a wider variety of fish species sourced throughout the world, whilst maintaining its policy of buying from sustainable fish and seafood resources. The Production and Retail Division has significantly reduced its cost base in 2005/2006 and at the same time secured new volume business, which will be a platform for future profitable growth. The Trading Division continues to concentrate on successfully supplying white fish to the UK fish fryer and fish wholesaler sectors. In the financial year 2005/2006 the Group successfully launched and re-branded its food service division under the name of 3G Food Service Limited.

The Board of Directors see the Group going through a period of growth having successfully launched a chilled range of products under the brand name '3G Seafood Solutions', which will exploit the opportunities available due to the growth in the food service sector within the UK. The Board is mindful of the increasing competition within all of its areas of activity – fish processing, fish wholesaling and supplying the food service sector but has tailored its operations to meet these threats. The Board sees the opportunities of expanding markets to be greater than the threat of increased competition.

The Smales Group of Companies are operating within the financial facilities available to it and are concentrating on reducing its borrowings in the financial year 2006/2007.

The Board of Directors are of the opinion that the changes which have been put in hand and which are on-going, are returning the Group to profitability in the financial year ended 31st August 2007.

Key financial highlights of the group are as shown below -

	2006	2005	2004	2003
Turnover growth	0.9%	0.4%	2.2%	(0.1%)
Gross profit	8,374,848	10,145,780	10,698,488	9,912,599
Gross profit percentage	10.7%	13.1%	13.9%	13.1%

Principal risks and uncertainties

The group faces competition risk from other companies in the fish industry resulting in pressure to keep prices low which can be difficult due to fluctuating fish prices. The group needs to ensure that there is sufficient supply of raw material available to meet the demand of its customers. These risks are faced by all companies operating in this industry.

F. SMALES & SON (FISH MERCHANTS) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Financial instruments

The group's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors, loans to the company and operating lease agreements. The main purpose of these instruments is to raise funds for the group's operations and to finance working capital.

Due to the nature of the financial instruments used by the group there is little exposure to price risk other than as a result of some transactions in foreign currency. This risk is minimal. The group's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

The loan to the group is from the bank. The interest rate on the bank loan is variable. The group manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

The group utilises operating lease agreements and ensures there are sufficient funds to meet the payments.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Dividends

No dividends were paid during the year (2005 - £Nil)

Employees

The group's policy is to consult and discuss with employees, through memos, staff councils and at meetings, matters likely to affect employees' interests.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Directors and their interests

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

	Ordinary £1 Shares	
	31/08/06	01/09/05
C F Smales	160,000	160,000
L Smales	85,000	85,000
S Smales	85,000	85,000
R A Orr	-	-
B H Smales	45,000	45,000
N J Holt	-	-
E W Gilbert (appointed 01/10/06)	-	-

F. SMALES & SON (FISH MERCHANTS) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2006

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- a) select suitable accounting policies and then apply them consistently,
- b) make judgements and estimates that are reasonable and prudent,
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group 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 group 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 group and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Disclosure

The directors have made themselves aware of all relevant audit information. The auditors have been notified of this information.

Auditors

A resolution to re-appoint Messrs Dutton Moore as auditors will be put to the members at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



**C.F. Smales
CHAIRMAN**

**HULL
21st MARCH, 2007**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

F. SMALES & SON (FISH MERCHANTS) LIMITED

We have audited the financial statements of F Smales & Son (Fish Merchants) Limited for the year ended 31st August, 2006 on pages 5 to 26. These financial statements have been prepared under 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept nor 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

The directors' responsibilities for preparing the group's financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31st August, 2006 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Dutton Moore

**DUTTON MOORE
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS**

**HULL
22nd MARCH, 2007**

F. SMALES & SON (FISH MERCHANTS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 2006

	Notes	2006 £	2005 £
Turnover	2	78,085,985	77,414,158
Cost of sales		(69,757,065)	(67,268,378)
		<hr/>	<hr/>
Gross profit		8,328,920	10,145,780
Distribution costs		(4,344,757)	(4,866,323)
Administrative expenses		(4,503,022)	(4,998,115)
		<hr/>	<hr/>
Operating (loss)/profit	3	(518,859)	281,342
Interest payable and similar charges	4	(242,086)	(174,690)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(760,945)	106,652
Tax on (loss)/profit on ordinary activities	6	208,964	(16,545)
		<hr/>	<hr/>
Retained (loss)/profit for the financial year		(551,981)	90,107
Retained profit brought forward		3,481,757	3,391,650
		<hr/>	<hr/>
Retained profit carried forward		2,929,776	3,481,757
		<hr/>	<hr/>
Dealt within			
Holding company		3,310,566	3,416,076
Subsidiary companies		(380,790)	65,681
		<hr/>	<hr/>
		2,929,776	3,481,757
		<hr/>	<hr/>

All of the activities undertaken by the group during 2006 and 2005 are continuing activities

The group has no recognised gains or losses for 2006 and 2005 other than those included in the profit and loss account, therefore no separate statement of total recognised gains and losses is required

The notes on pages 9 to 26 form part of these accounts

F. SMALES & SON (FISH MERCHANTS) LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31ST AUGUST 2006

	Notes	2006		2005	
		£	£	£	£
Fixed Assets					
Intangible assets	8		43,538		69,550
Tangible assets	9a		3,711,824		5,049,517
Investments	10a		65,000		65,000
			<hr/>		<hr/>
			3,820,362		5,184,067
Current Assets					
Stocks	11a	4,833,504		5,118,667	
Debtors	12a	11,280,477		9,242,331	
Cash at bank and in hand		61,295		48,068	
		<hr/>		<hr/>	
			16,175,276		14,409,066
Creditors: amounts falling due within one year	13a	(15,791,187)		(14,331,393)	
		<hr/>		<hr/>	
Net Current Assets			384,089		77,673
			<hr/>		<hr/>
Total Assets less Current Liabilities			4,204,451		5,261,740
Creditors: amounts falling due after more than one year	14a		(715,192)		(1,060,145)
Provisions for Liabilities	15		(159,483)		(319,838)
			<hr/>		<hr/>
			3,329,776		3,881,757
			<hr/>		<hr/>
Capital and Reserves					
Called up share capital	20		400,000		400,000
Profit and loss account	21		2,929,776		3,481,757
			<hr/>		<hr/>
Shareholders' Funds	22a		3,329,776		3,881,757
			<hr/>		<hr/>

Approved on behalf of the Board



C.F. Smales
Director

DATED 21st MARCH, 2007

The notes on pages 9 to 26 form part of these accounts

F. SMALES & SON (FISH MERCHANTS) LIMITED

HOLDING COMPANY BALANCE SHEET

AS AT 31ST AUGUST 2006

	Notes	2006		2005	
		£	£	£	£
Fixed Assets					
Tangible assets	9b		3,352,466		4,433,446
Investments	10b		485,087		485,087
			<hr/>		<hr/>
			3,837,553		4,918,533
Current Assets					
Stocks	11b	2,965,573		3,558,434	
Debtors	12b	12,644,769		9,302,729	
Cash at bank and in hand		3,835		1,570	
		<hr/>		<hr/>	
			15,614,177		12,862,733
Creditors: amounts falling due within one year	13b	(14,867,033)		(12,702,417)	
		<hr/>		<hr/>	
Net Current Assets			747,144		160,316
			<hr/>		<hr/>
Total Assets less Current Liabilities			4,584,697		5,078,849
Creditors: amounts falling due after more than one year	14b		(681,628)		(983,628)
Provisions for Liabilities	15		(192,503)		(279,145)
			<hr/>		<hr/>
			3,710,566		3,816,076
			<hr/>		<hr/>
Capital and Reserves					
Called up share capital	20		400,000		400,000
Profit and loss account	21		3,310,566		3,416,076
			<hr/>		<hr/>
Shareholders' Funds	22b		3,710,566		3,816,076
			<hr/>		<hr/>

Approved on behalf of the Board



C.F. Smales
Director

DATED 21st MARCH, 2007

The notes on pages 9 to 26 form part of these accounts

F. SMALES & SON (FISH MERCHANTS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2006

	Notes	2006 £	2005 £
Net cash (outflow)/inflow from operating activities	26a	(1,371,088)	1,011,687
Return on investments and servicing of finance	26b(i)	(242,086)	(174,690)
Taxation	26b(ii)	(48,609)	(36,121)
Capital expenditure and financial investments	26b(iii)	1,189,599	(530,136)
Financing	26b(iv)	(219,097)	(236,531)
		<hr/>	<hr/>
(Decrease)/increase in cash in year		(691,281)	34,209
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in year		(691,281)	34,209
Cash outflow from decrease in loans		216,730	203,732
Cash outflow from decrease in asset finance		2,367	32,799
		<hr/>	<hr/>
Movement in net debt in year		(472,184)	270,740
Net debt brought forward		(2,230,776)	(2,501,516)
		<hr/>	<hr/>
Net debt carried forward	26c	(2,702,960)	(2,230,776)
		<hr/>	<hr/>

The notes on pages 9 to 26 form part of these accounts

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

1 Principal accounting policies

1.1 The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

1.2 Accounts

Accounts have been prepared under the historical cost convention.

1.3 Turnover

Turnover represents the amounts receivable, excluding value added tax, in respect of the sale of goods to customers.

1.4 Basis of preparation of group financial statements

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31st August 2006. The difference between the cost of acquiring shares in subsidiary undertakings and the fair value of the separable net assets acquired is written off over the directors' estimate of its useful economic life.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

1.6 Tangible fixed assets and depreciation

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

Freehold properties	Between 1% and 2% on cost
Cold store and leasehold improvements	Between 4% and 12½% on cost
Plant and equipment	Between 10% and 25% on cost
Motor vehicles	25% on cost

1.7 Government grants

Grants towards capital expenditure are credited to deferred income and released to the profit and loss account over the expected useful economic life of the asset.

Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

1.8 Investments

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

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the first-in - first-out method and consists of material and direct labour costs, together with an appropriate proportion of production overheads.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

1 Principal accounting policies (continued)

1.10 Foreign currencies

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for monetary assets and liabilities which are translated at the rate ruling at the balance sheet date. Differences arising on the translation of such items are dealt with in the profit and loss account.

1.11 Deferred taxation

Provision is made for taxation deferred in respect of all material timing differences.

1.12 Research and development

Research and development expenditure on new product lines is written off in the year in which it is incurred.

1.13 Asset finance

Assets obtained under asset finance are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the repayments is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.14 Pensions

The company makes payments to money purchase pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

1.15 Related party transactions

Advantage has been taken under FRS8, of the exemption available to groups of companies not to disclose transactions and balances involving group entities when consolidated accounts are made publicly available.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

2 Turnover

The turnover and the loss before taxation are attributable to the group's activities, as defined in the directors' report

An analysis of turnover is given below

	2006	2005
	£	£
United Kingdom	77,540,475	76,887,079
European Union	545,510	523,297
Non-European Union	-	3,782
	<hr/>	<hr/>
	78,085,985	77,414,158
	<hr/>	<hr/>

3 Operating (loss)/profit

This is stated after charging/(crediting)

	2006	2005
	£	£
Directors' remuneration (see below)	560,290	433,189
Auditors' remuneration - Group	35,000	34,300
Auditors' remuneration - Company	17,000	16,500
Depreciation	474,528	510,822
(Profit)/loss on disposal of fixed assets	(326,434)	23,952
Amortisation of grants	(142,437)	(43,643)
Amortisation of goodwill	26,012	26,012
Operating lease rentals	450,251	469,467
	<hr/>	<hr/>

3.1 Directors' remuneration

Other emoluments	437,124	331,361
Benefits in kind	25,701	14,065
Employer's national insurance	52,565	50,563
Contributions to money purchase pension schemes	44,900	37,200
	<hr/>	<hr/>

Total emoluments	560,290	433,189
	<hr/>	<hr/>

The highest paid director received emoluments of £91,515 (2005 £79,210) and contributions to a money purchase pension scheme of £15,000 (2005. £6,900)

	2006	2005
	Number	Number
Number of directors for whom benefits are accruing under money purchase pension schemes	5	5
	=	=

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

3.2 Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were

	2006 Number	2005 Number
Sales, administration and management	176	151
Production	65	110
Cold store and transport	98	127
	—	—
	339	388
	==	==

Employment costs (excluding directors)

	2006 £	2005 £
Wages and salaries	5,999,558	6,509,906
Employer's national insurance	593,443	633,022
Pension contributions	121,311	138,794
	—	—
	6,714,312	7,281,722
	==	==

4 Interest payable and similar charges

	2006 £	2005 £
Bank interest	242,339	174,715
Asset finance interest	(253)	(25)
	—	—
	242,086	174,690
	==	==

5 Pension costs

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £168,378 (2005 £175,994)

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

6 Tax on profit on ordinary activities

	Note	2006 £	2005 £
UK current year taxation			
UK corporation tax		(48,609)	48,609
Deferred taxation			
Deferred tax	15	(160,355)	(32,064)
		<hr/>	<hr/>
		(208,964)	16,545
		<hr/>	<hr/>
Factors affecting tax charge for year			
(Loss)/profit on ordinary activities, before tax		(760,945)	106,652
		<hr/>	<hr/>
(Loss)/profit on ordinary activities at the applicable rate of UK corporation tax		(144,580)	20,264
Effects of			
Depreciation for the year in excess of capital allowances		-	11,796
Capital allowances for the year in excess of depreciation		(64,231)	-
Goodwill amortised		4,383	4,387
Expenses not deductible for tax purposes		13,303	12,162
Losses, carried forward		142,516	-
		<hr/>	<hr/>
UK corporation tax		(48,609)	48,609
		<hr/>	<hr/>

7 (Loss)/profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(105,510) (2005 Profit £32,231)

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

8 Intangible fixed assets - group

	Goodwill £
Cost	
At 1 September 2005 and at 31 August 2006	260,087
	<u> </u>
Provision for diminution in value	
At 1 September 2005	190,537
Charge for year	26,012
	<u> </u>
At 31 August 2006	216,549
	<u> </u>
Net Book Values	
At 31 August 2006	43,538
	<u> </u>
At 31 August 2005	69,550
	<u> </u>

Goodwill arising on acquisitions is being amortised over 10 years. In the opinion of the directors, this represents a prudent estimate of the period over which the group will derive economic benefit from the goodwill existing at the date of the acquisitions.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

9 Tangible fixed assets

a) Group

	Freehold land & buildings £	Cold store & leasehold land & buildings £	Plant & equipment £	Motor vehicles £	Total £
Cost					
At 1 September 2005	4,244,068	865,882	4,403,006	213,101	9,726,057
Additions	8,300	2,211	192,057	-	202,568
Disposals	(1,212,174)	-	(393,309)	(58,705)	(1,664,188)
Transfer	263,905	(263,905)	5,296	(5,296)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	3,304,099	604,188	4,207,050	149,100	8,264,437
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 September 2005	978,208	567,950	3,081,428	48,954	4,676,540
Charge for the year	90,513	30,814	315,864	37,337	474,528
On disposals	(230,330)	-	(333,685)	(34,440)	(598,455)
Transfer	108,886	(108,886)	717	(717)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	947,277	489,878	3,064,324	51,134	4,552,613
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book values					
At 31 August 2006	2,356,822	114,310	1,142,726	97,966	3,711,824
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2005	3,265,860	297,932	1,321,578	164,147	5,049,517
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included above are assets held under asset finance as follows

	Net book value		Depreciation charged in year	
	2006 £	2005 £	2006 £	2005 £
Motor vehicles	-	6,317	-	3,032
	<hr/>	<hr/>	<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

9 Tangible fixed assets

b) Company

	Freehold land & buildings £	Plant & equipment £	Motor vehicles £	Total £
Cost				
At 1 September 2005	4,244,068	3,571,542	142,233	7,957,843
Additions	8,300	177,546	-	185,846
Disposals	(1,212,174)	(378,509)	(53,924)	(1,644,607)
Group transfer	263,905	177,609	(50,047)	391,467
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	3,304,099	3,548,188	38,262	6,890,549
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 September 2005	978,208	2,506,785	39,404	3,524,397
Charge for the year	90,513	279,903	25,635	396,051
On disposals	(230,330)	(318,885)	(33,245)	(582,460)
Group transfer	108,886	107,329	(16,120)	200,095
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August, 2006	947,277	2,575,132	15,674	3,538,083
	<hr/>	<hr/>	<hr/>	<hr/>
Net book values				
At 31 August 2006	2,356,822	973,056	22,588	3,352,466
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2005	3,265,860	1,064,757	102,829	4,433,446
	<hr/>	<hr/>	<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

10 Investments

a) Group

	Unlisted investments £
At 1 September 2005 and at 31 August 2006	65,000
	<u>65,000</u>

b) Company

	Shares in group undertakings £	Unlisted investments £	Total £
At 1 September 2005 and at 31 August 2006	420,087	65,000	485,087
	<u>420,087</u>	<u>65,000</u>	<u>485,087</u>

The subsidiary companies are as follows:

	Holding	Class of share
Tyne Valley (Fish Merchants) Limited	100%	Ordinary
3G Food Service (Andover) Limited (formerly Billy Boy Frozen Foods (Andover) Limited)	100%	Ordinary
Billy Boy Frozen Foods (Tonbridge) Limited	100%	Ordinary
Billy Boy Frozen Foods (Stevenage) Limited	100%	Ordinary
3G Food Service Limited	100%	Ordinary
Billy Boy Frozen Foods (South West) Limited	100%	Ordinary
Billy Boy Frozen Foods (North West) Limited	100%	Ordinary
Seafood Solutions Limited	100%	Ordinary

All the subsidiaries are incorporated and registered in England

The principal activities of all the subsidiaries, except Seafood Solutions Limited, consist of the sale and distribution of fresh and frozen fish, shell fish and frozen food products. As part of the group reorganisation, during the year the assets and trade of 3G Food Service (Andover) Limited, Billy Boy Frozen Foods (Tonbridge) Limited, Billy Boy Frozen Foods (Stevenage) Limited, Billy Boy Frozen Foods (South West) Limited and Billy Boy Frozen Foods (North West) Limited were transferred to 3G Food Service Limited. These five companies then ceased to trade.

The principal activity of Seafood Solutions Limited consisted of primary fish processing. This company did not trade during the year.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

11 Stocks

	2006	2005
	£	£
a) Group		
Raw materials	2,075,901	2,490,904
Finished goods and goods for resale	2,757,603	2,627,763
	<hr/>	<hr/>
	4,833,504	5,118,667
	<hr/>	<hr/>
b) Company		
Raw materials	2,075,901	2,490,904
Finished goods and goods for resale	889,672	1,067,530
	<hr/>	<hr/>
	2,965,573	3,558,434
	<hr/>	<hr/>

12 Debtors

	2006	2005
	£	£
a) Group		
Trade debtors	9,209,988	8,594,939
Other debtors	1,477,008	191,069
Prepayments and accrued income	544,872	456,323
Corporation tax recoverable	48,609	-
	<hr/>	<hr/>
	11,280,477	9,242,331
	<hr/>	<hr/>
b) Company		
Trade debtors	6,191,403	6,191,630
Amounts owed by group undertakings	4,694,450	2,649,002
Other debtors	1,477,008	191,069
Prepayments and accrued income	276,090	271,028
Corporation tax recoverable	5,818	-
	<hr/>	<hr/>
	12,644,769	9,302,729
	<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

13 Creditors: amounts falling due within one year

	Notes	2006 £	2005 £
a) Group			
Bank overdraft	17	2,460,985	1,756,477
Bank loan	17,18	200,000	200,000
Trade creditors		12,511,845	11,596,548
Corporation tax		-	48,609
Other taxes		207,077	202,841
Obligations under asset finance	19	-	2,367
Accruals and deferred income	16	411,280	524,551
		<hr/>	<hr/>
		15,791,187	14,331,393
		<hr/>	<hr/>
b) Company			
Bank overdraft	17	4,173,467	2,675,623
Bank loan	17,18	200,000	200,000
Trade creditors		10,208,728	9,201,922
Corporation tax		-	5,818
Amounts owed to group undertakings		4,687	62,808
Other taxes		88,255	114,253
Accruals and deferred income	16	191,896	441,993
		<hr/>	<hr/>
		14,867,033	12,702,417
		<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year

	Notes	2006 £	2005 £
a) Group			
Bank loan	17,18	103,270	320,000
Accruals and deferred income	16	611,922	740,145
		<hr/>	<hr/>
		715,192	1,060,145
		<hr/>	<hr/>
b) Company			
Bank loan	17,18	103,270	320,000
Accruals and deferred income	16	578,358	663,628
		<hr/>	<hr/>
		681,628	983,628
		<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

15 Provisions for liabilities

Deferred taxation

	Note	Group £	Company £
At 1 September 2005		319,838	279,145
Movement during the year	6	(160,355)	(86,642)
		<hr/>	<hr/>
At 31 August 2006		159,483	192,503
		<hr/>	<hr/>

The group and holding company's provisions have arisen as a result of accelerated capital allowances

16 Government grants

Accruals and deferred income include

	Group £	Company £
At 1 September 2005	783,397	691,090
Group transfer	-	53,144
Released in year	(142,437)	(139,638)
	<hr/>	<hr/>
At 31 August 2006	640,960	604,596
	<hr/>	<hr/>
Shown as		
Amounts falling due within one year	29,038	26,238
Amounts falling due after one year	611,922	578,358
	<hr/>	<hr/>
	640,960	604,596
	<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

17 Security

The bank borrowings are secured by a debenture, company unlimited cross guarantees, a fixed charge on the group's freehold properties and a fixed and floating charge on group assets

18 Bank loan

Group and company

	Notes	2006 £	2005 £
Repayable in one year or less		200,000	200,000
Repayable between one and two years		103,270	200,000
Repayable between two and five years		-	120,000
		<hr/>	<hr/>
		303,270	520,000
		<hr/>	<hr/>
Shown as			
Amounts falling due within one year	13	200,000	200,000
Amounts falling due after more than one year	14	103,270	320,000
		<hr/>	<hr/>
		303,270	520,000
		<hr/>	<hr/>

The secured bank loan is repayable by equal monthly instalments and is due for redemption in February, 2009. Interest is charged on the loan at 1.15% above the bank base rate on the first £950,000 and at 1% above the bank base rate thereafter.

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

19 Obligations under asset finance

	Note	2006 £	2005 £
Group			
Repayable within one year		-	2,818
Finance charges and interest allocated to future accounting periods		-	(451)
		<u>-</u>	<u>(451)</u>
		-	2,367
		<u>-</u>	<u>2,367</u>
Shown as			
Amounts falling due within one year	13a	-	2,367
		<u>-</u>	<u>2,367</u>

20 Called up share capital

	2006 £	2005 £
Authorised equity		
500,000 Ordinary £1 shares	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid equity		
400,000 Ordinary £1 shares	400,000	400,000
	<u>400,000</u>	<u>400,000</u>

21 Reserves

Profit and loss account	Group £	Company £
At 1 September 2005	3,481,757	3,416,076
Retained loss for the year	(551,981)	(105,510)
	<u>2,929,776</u>	<u>3,310,566</u>
At 31 August 2006	2,929,776	3,310,566
	<u>2,929,776</u>	<u>3,310,566</u>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

22 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
a) Group		
(Loss)/profit for the year	(551,981)	90,107
Opening shareholders' funds	3,881,757	3,791,650
	<hr/>	<hr/>
Closing shareholders' funds	3,329,776	3,881,757
	<hr/>	<hr/>
b) Company		
(Loss)/profit for the year	(105,510)	32,231
Opening shareholders' funds	3,816,076	3,783,845
	<hr/>	<hr/>
Closing shareholders' funds	3,710,566	3,816,076
	<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

23 Financial commitments

At 31st August 2006 the group and company had annual commitments under non-cancellable operating leases as follows

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Land and buildings				
Expiry date:				
Within one year	31,540	319,746	4,000	319,746
Between two and five years	470,447	114,721	337,200	9,200
In over five years	-	35,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	501,987	469,467	341,200	328,946
	<hr/>	<hr/>	<hr/>	<hr/>
Other				
Expiry date:				
Within one year	66,157	66,513	50,266	66,513
Between two and five years	793,152	676,838	262,493	130,288
In over five years	198,149	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,057,458	743,351	312,759	196,801
	<hr/>	<hr/>	<hr/>	<hr/>

24 Contingent liabilities

The company has multi-lateral guarantees, in respect of bank borrowings, with the following companies

Tyne Valley (Fish Merchants) Limited
 3G Food Service Limited
 3G Food Service (Andover) Limited
 (formerly Billy Boy Frozen Foods (Andover) Limited)
 Billy Boy Frozen Foods (Stevenage) Limited
 Billy Boy Frozen Foods (Tonbridge) Limited
 Billy Boy Frozen Foods (South West) Limited
 Billy Boy Frozen Foods (North West) Limited
 Seafood Solutions Limited

In the opinion of the directors the likelihood of the guarantees being called upon is remote

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

25 Controlling interest

The company is controlled by the director, Mr C F Smales and his immediate family

26 Notes to the cash flow statements

	2006	2005
	£	£
a) Reconciliation of operating profit to net cash flow from operating activities		
Operating (loss)/profit	(518,859)	281,342
Depreciation	474,528	510,822
(Profit)/loss on disposal of fixed assets	(326,434)	23,952
Amortisation of grants	(142,437)	(43,643)
Amortisation of goodwill	26,012	26,012
Decrease/(increase) in stocks	285,163	(1,035,801)
(Increase) in debtors	(1,989,537)	(1,006,566)
Increase in creditors	820,476	2,255,569
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(1,371,088)	1,011,687
	<hr/>	<hr/>
b) Analysis of cash flow in the cash flow statement		
i) Return on investments and servicing of finance		
Interest paid	(242,086)	(174,690)
	<hr/>	<hr/>
ii) Taxation		
Corporation tax paid	(48,609)	(36,121)
	<hr/>	<hr/>
iii) Capital expenditure and financial investments		
Purchase of tangible fixed assets	(202,568)	(628,910)
Sale of tangible fixed assets	1,392,167	70,495
Grants received	-	28,279
	<hr/>	<hr/>
	1,189,599	(530,136)
	<hr/>	<hr/>
iv) Financing		
Capital element of bank loan repaid	(216,730)	(203,732)
Capital element of asset finance repaid	(2,367)	(32,799)
	<hr/>	<hr/>
	(219,097)	(236,531)
	<hr/>	<hr/>

F. SMALES & SON (FISH MERCHANTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 2006

26 Notes to the cash flow statements (continued)

c) Analysis of changes in net debt

	At 01/09/05 £	Cash flows £	Other changes £	At 31/08/06 £
Cash at bank and in hand	48,068	13,227	-	61,295
Bank overdraft	(1,756,477)	(704,508)	-	(2,460,985)
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,708,409)	(691,281)	-	(2,399,690)
Bank loan	(520,000)	216,730	-	(303,270)
Asset finance	(2,367)	2,367	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,230,776)	(472,184)	-	(2,702,960)
	<hr/>	<hr/>	<hr/>	<hr/>