

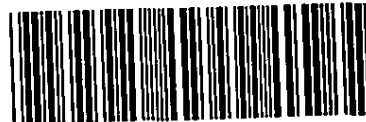
Registered Number 958001

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2010

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COMPANIES HOUSE

Scottish Sea Farms Limited

Registered No 958001

Directors

Leif-Inge Nordhammer
Gustave Witzoe
Jim F Gallagher
John Rea
Helge Singlestad
Henning Beltestad

Secretary

D Anderson

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Bankers

DnB Nor Bank ASA
20 St Dunston's Hill
London
EC3R 8HY

Solicitors

McClure Naismith
192 St Vincent Street
Glasgow
G2 5TQ

Registered Office

c/o McClure Naismith
4th Floor
Equitable House
47 King William Street
London
EC4R 9AF

Directors' report

Registered No 958001

The directors present their report and the group financial statements for the year ended 31 December 2010

Principal activity and review of the business

The principal activity of the group continued to be the farming and processing of Scottish Atlantic salmon

The group has achieved a satisfactory result for the year to 31 December 2010

Group turnover was £109,992,000. an increase of £16,024 000 on 2009

Group operating profit was £29 384 000 an increase of £13 051 000 on 2009

We consider that the company is well placed in the salmon farming industry against a background of a challenging global environment. We are mindful of the biological risks associated with salmon farming and have a stocking strategy to combat this

Key financial performance indicators include the monitoring of the management of profitability and working capital

	<u>2010</u>	<u>2009</u>	
Profit margin	26.1%	16.2%	Profit before tax/turnover
Current ratio	2.51	1.64	Current assets / Current liabilities

Staff development continues to be an aim of the company with focus on training of our employees to be able to meet the demands of the business. Staff morale is high within the business with all of our employees committed to delivering performance which we believe will give consistent and sustainable returns to the shareholders in the future.

The business continues with the belief that the environment in which we operate needs to be protected and enhanced and to this aim we have identified targets and objectives for continuous improvement within 2011.

The directors would like to take this opportunity to thank our employees for their continued hard work and dedication through the year.

Results and dividends

The profit for the year, after taxation, amounts to £21,475,000 (2009 £11,031,000) and is dealt with as shown in the consolidated profit and loss account. A dividend of £10,000,000 has been paid in the year.

Directors' report

Registered No: 958001

Financial management objectives and policies

The company's principal financial instruments comprise cash short and long term deposits and/or borrowings, the main purpose of which is to provide finance for its normal trading operations

Interest is payable on borrowings at normal commercial rates of interest. The company's interest payable can therefore be affected by changes in interest rates. The company does not undertake active hedging of this risk.

Other financial assets and liabilities such as trade debtors and trade creditors arise directly from trading operations.

The company manages credit risk by continuing to trade with our key customers. The company conducts credit checks on its customers and arranges credit terms accordingly.

Directors

The directors at year-end were those listed on page 1 except for Alf-Helge Aarskog who resigned on 29 March 2010. Henning Beltestad was appointed a director on 1st April 2010.

Disabled employees

The group gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through the regular newsletters. Employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2010, the company had an average of 44 days purchases outstanding in trade creditors.


Directors' report

Registered No 958001

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the groups auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the board


J F Gallagher
Director

9th February 2011

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Scottish Sea Farms Limited

We have audited the financial statements of Scottish Sea Farms Limited for the year ended 31 December 2010 which comprises the group profit and loss account, the group and company balance sheets, the group statement of total recognised gains and losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- ▶ Give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- ▶ Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- ▶ Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

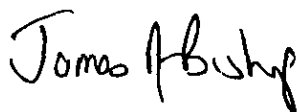
Independent auditor's report

to the members of Scottish Sea Farms Limited - Continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- ▶ Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- ▶ The parent company financial statements are not in agreement with the accounting records and returns, or
- ▶ Certain disclosures of directors' remuneration specified by law are not made, or
- ▶ We have not received all the information and explanations we require for our audit



*James Andrew Bishop (Senior statutory auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
Glasgow*

9 February 2011

Group profit and loss account

For the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	109,992	93,968
Cost of sales		(71,658)	(69 023)
Gross profit		<u>38,334</u>	<u>24,945</u>
Distribution costs		(5,419)	(4,649)
Administrative expenses		(3 531)	(3,963)
Group operating profit	3	<u>29,384</u>	<u>16 333</u>
Interest payable	6	(653)	(1 112)
Other finance income/ (charge)	7	19	(28)
Profit on ordinary activities before taxation		<u>28,750</u>	<u>15,193</u>
Tax on profit on ordinary activities	8(a)	(7,275)	(4,162)
Profit for the financial year	20 & 21	<u><u>21,475</u></u>	<u><u>11,031</u></u>

All the above relate to continuing operations

Group statement of total recognised gains and losses

for the year ended 31 December 2010

		2010 £000	2009 £000
Profit for the financial year		21,475	11 031
Actuarial gain/ (loss)	23	37	(902)
Deferred tax on actuarial gain/ (loss)	8(d)	(10)	253
Total recognised gains and losses relating to the year		<u><u>21,502</u></u>	<u><u>10 382</u></u>

Group balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible assets	9	6,852	7,417
Tangible assets	10	21,640	21,771
		<u>28,492</u>	<u>29,188</u>
Current assets			
Stocks	12	42,992	46,075
Debtors	13	12,448	11,798
Cash at bank and in hand		71	2
		<u>55,511</u>	<u>57,875</u>
Creditors amounts falling due within one year	14	(22,084)	(33,574)
Net current assets		<u>33,427</u>	<u>24,301</u>
Total assets less current liabilities		<u>61,919</u>	<u>53,489</u>
Creditors amounts falling due after more than one year	15	(24,966)	(27,150)
Provisions for liabilities and charges	8(d)	(746)	(943)
Accruals and deferred income	17	(643)	(849)
Net assets excluding retirement benefits		<u>35,564</u>	<u>24,547</u>
Retirement benefit liability	23		(485)
Net assets		<u><u>35,564</u></u>	<u><u>24,062</u></u>
Capital and reserves			
Called up share capital	19 & 21	21,400	21,400
Share premium account	21	1,600	1,600
Profit and loss account	20 & 21	12,564	1,062
Equity shareholders' funds		<u><u>35,564</u></u>	<u><u>24,062</u></u>



J F Gallagher
Director



2011

Company balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible assets	9	6,809	7,338
Tangible assets	10	17,627	17,347
Investments	11	6,500	6,500
		<u>30,936</u>	<u>31,185</u>
Current assets			
Stocks	12	38,706	39,806
Debtors	13	12,369	13,164
Cash at bank and in hand		71	2
		<u>51,146</u>	<u>52,972</u>
Creditors amounts falling due within one year	14	(24,701)	(31,687)
Net current assets		<u>26,445</u>	<u>21,285</u>
Total assets less current liabilities		<u>57,381</u>	<u>52,470</u>
Creditors amounts falling due after more than one year	15	(24,966)	(27,150)
Provisions for liabilities and charges	8 (d)	(716)	(893)
Accruals and deferred income	17	(643)	(849)
Net assets excluding retirement benefits		<u>31,056</u>	<u>23,578</u>
Retirement benefit liability	23	-	(485)
Net assets		<u><u>31,056</u></u>	<u><u>23,093</u></u>
Capital and reserves			
Called up share capital	19 & 21	21,400	21,400
Share premium account	21	1,600	1,600
Profit and loss account	20 & 21	8,056	93
Equity shareholders' funds		<u><u>31,056</u></u>	<u><u>23,093</u></u>

J F Gallagher
Director

9th February

2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 31 December 2010. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land and houses, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	30 years
Leasehold property	-	10 years or over the period of the lease if shorter
Machinery and equipment	-	4 - 10 years
Motor vehicles	-	3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business's assets and trade and the fair value of its separable net assets. It has been capitalised and is being written off in equal annual instalments over its expected economic life of 10 to 15 years commencing in the year of acquisition. This goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value. In the case of on-growing fish, costs include direct labour, feed and direct overheads attributable to fish production.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Deferred taxation

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 an obligation to pay more or a right to pay less or to receive more tax, with the exception of deferred tax assets which 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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Government grants

Grants are credited to reserves and released to the profit and loss account over the useful life of the assets by equal annual instalments

Grants of a revenue nature are credited to income in the period to which they relate

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

Pensions

The group operates both a defined benefit and a defined contribution pension scheme. The assets of the schemes are held separately from those of the group

Defined benefit pension scheme assets are measured using market value. Associated pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability

Any increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period, is charged to the operating profit. The expected return on the schemes assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time, are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses

The company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All foreign currency exchange differences are dealt with through the profit and loss account

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Cash flow statement

No cash flow statement has been prepared for the group in accordance with the exemption included in Financial Reporting Standard No 1 for subsidiary undertakings where consolidated financial statements, which include the subsidiary, are publicly available

2 Turnover

Turnover comprises the invoice value of goods and services supplied by the group exclusive of VAT and intra-group transactions

Turnover is attributable to one continuing activity, the farming and processing of salmon

No further analysis of turnover has been disclosed, as, in the opinion of the directors, any further analysis would be seriously prejudicial to the interests of the group

3 Group operating profit

This is stated after charging/(crediting)

	2010 £000	2009 £000
Depreciation of owned assets	4,716	4,240
Depreciation of assets held under finance leases and hire purchase contracts	393	460
	<u>5,109</u>	<u>4,700</u>
Directors' remuneration	536	335
Auditors' remuneration		
- audit services	40	36
- non audit services		
Taxation	32	58
Pension	5	5
Hire of plant and equipment	3,580	3,661
Government grants released	(206)	(211)
Amortisation of goodwill	565	564
Exchange (gain)/ loss	(8)	9
Gain on sale of fixed assets	(81)	(43)
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2010

4. Directors' remuneration

	2010	2009
	£000	£000
Emoluments	536	335
Contributions paid into defined contributions pension scheme	24	-
	2010	2009
	No	No
Active members of defined benefit pension scheme	-	2
Active members of defined contributions pension scheme	2	-

The emoluments of the highest paid director for the year ended 31 December 2010 were £386,000 (2009 - £207,000). He was a deferred member of the group's defined benefit pension scheme and his accrued pension at 31 December 2010 was £24,000. Pension contributions for the highest paid director amounted to £13,000 (2009 - £24,000).

5. Staff costs

	2010	2009
	£000	£000
Wages and salaries	9,927	8,780
Social security costs	939	775
Other pension costs	218	538
	11,084	10,093

The average number of persons employed by the group, including directors, was made up as follows

	2010	2009
	No	No
Production	333	327
Administration	27	27
	360	354

6. Interest payable

	2010	2009
	£000	£000
Bank loan interest	523	624
Bank overdraft interest	47	387
Finance charges payable under finance leases and hire purchase contracts	83	101
	653	1,112

Notes to the financial statements

at 31 December 2010

7. Other finance income/ (charge)

	2010 £000	2009 £000
Interest on pension scheme liabilities	(399)	(312)
Expected return on pension scheme assets	418	284
	<u>19</u>	<u>(28)</u>

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax charge is made up as follows

	Note	2010 £000	2009 £000
UK corporation tax			
UK corporation tax on profits for year		7,297	4,189
Tax overprovided in previous years		(4)	(141)
	8(b)	<u>7,293</u>	<u>4,048</u>
Deferred tax			
Originating and reversal of timing differences	8(d)	(18)	116
Effect of changes in tax rates on opening liability		-	(2)
		<u>7 275</u>	<u>4,162</u>

(b) Factors affecting the current tax charge

Group

	Note	2010 £000	2009 £000
Profit on ordinary activities before tax		28,750	15 193
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)		<u>8 050</u>	<u>4,254</u>
Effect of			
Disallowed expenses and non-taxable income		248	230
Fixed asset timing differences		151	14
Other timing differences		29	(91)
Tax overprovided in previous years		(4)	(141)
Pension provision		(183)	(72)
Brought forward tax losses utilised		(1,016)	(186)
Others		-	(4)
Rollover /Holdover gains		18	44
	8(a)	<u>7 293</u>	<u>4,048</u>

Notes to the financial statements

at 31 December 2010

8. Taxation (continued)

(c) Factors that may affect future tax charges

The group has tax losses, accelerated capital allowances and other timing differences of approximately £601,000 (2009 - £3,989,000), which are available indefinitely for offset against future taxable profits

In his budget of 22 June 2010, the Chancellor of the Exchequer announced a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually. The effect of the reduction in the tax rate from 27% (the rate used in these accounts) to 24% on the group's deferred tax liability is £83,000

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	981	1,137	975	1,131
Other timing differences	(259)	(238)	(259)	(238)
Capital gains	24	44	-	-
	<u>746</u>	<u>943</u>	<u>716</u>	<u>893</u>
Netted off against pension scheme liability				
Pension scheme asset	-	(189)	-	(189)
	<u>746</u>	<u>754</u>	<u>716</u>	<u>704</u>

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
At 1 January 2010	754	704
Charge for year	6	26
Adjustment in respect of prior years	(24)	(24)
Statement of Total Recognised Gains and Losses	10	10
	<u>746</u>	<u>716</u>
At 31 December 2010	746	716

All the deferred tax balances above are stated at 27% (2009 – 28%)

Notes to the financial statements

at 31 December 2010

9. Intangible fixed assets

	<i>Group goodwill £000</i>	<i>Company goodwill £000</i>
Cost		
At 1 January 2010 and 31 December 2010	9,030	8 539
Amortisation		
At 1 January 2010	1,613	1,201
Provided during the year	565	529
At 31 December 2010	2,178	1,730
Net book value		
At 31 December 2010	6,852	6,809
At 1 January 2010	7 417	7,338

Goodwill is being amortised in equal annual instalments over its estimated economic life of 15 years

10. Tangible assets

<i>Group</i>	<i>Freehold land and buildings £000</i>	<i>Buildings on leasehold land £000</i>	<i>Machinery and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost					
At 1 January 2010	5,555	1,099	61,464	1,210	69,328
Additions	121	-	4,615	242	4,978
Disposals	-	-	-	(32)	(32)
At 31 December 2010	5,676	1,099	66,079	1 420	74,274
Depreciation					
At 1 January 2010	1,760	1,099	43,713	985	47,557
Additions	241	-	4,667	201	5,109
Disposals	-	-	-	(32)	(32)
At 31 December 2010	2,001	1 099	48,380	1,154	52,634
Net book value					
At 31 December 2010	3,675	-	17 699	266	21,640
At 1 January 2010	3,795	-	17,751	225	21,771

The net book value of machinery and equipment and motor vehicles includes £2,218,000 (2009 - £1,568,000) and £207,000 (2009 - £139,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2010

10. Tangible assets (continued)

Company

	<i>Freehold land and buildings £000</i>	<i>Buildings on leasehold land £000</i>	<i>Machinery and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost					
At 1 January 2010	2,908	1 099	53,716	1,112	58,835
Additions	121	-	4,362	225	4,708
Disposals	-	-	-	(32)	(32)
At 31 December 2010	<u>3,029</u>	<u>1,099</u>	<u>58,078</u>	<u>1,305</u>	<u>63,511</u>
Depreciation					
At 1 January 2010	1,709	1,099	37,755	925	41,488
Additions	213	-	4,024	191	4,428
Disposals	-	-	-	(32)	(32)
At 31 December 2010	<u>1 922</u>	<u>1,099</u>	<u>41,779</u>	<u>1 084</u>	<u>45,884</u>
Net Book Value					
At 31 December 2010	<u>1,107</u>	<u>-</u>	<u>16,299</u>	<u>221</u>	<u>17,627</u>
At 1 January 2010	<u>1,199</u>	<u>-</u>	<u>15,961</u>	<u>187</u>	<u>17,347</u>

The net book value of machinery and equipment and motor vehicles includes £2,141,000 (2009 - £1,473,000) and £184,000 (2009 - £134,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2010

11. Investments

Company

	<i>Subsidiary Undertakings</i>	<i>Subsidiary Undertakings</i>
	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
<i>Cost</i>		
At 1 January and 31 December	6,500	6,500

Subsidiary undertakings

	<i>Class of shares</i>	<i>Country of incorporation</i>	<i>Proportion held</i>
Ettrick Trout Co Ltd	Ordinary £1	Scotland	100%
Orkney Sea Farms Ltd*	Ordinary £1	Scotland	100%
Terregles Salmon Company Ltd*	Ordinary £1	Scotland	100%

The above companies' principal activity is the farming and sale of salmon

The companies listed below are dormant

GSP Farms Limited	Ordinary £1	Scotland	100%
Seafresh Farms Limited	Ordinary £1	Scotland	100%
Seafresh Salmon Limited	Ordinary £1	Scotland	100%
Lismore Salmon Limited	Ordinary £1	Scotland	100%
Scottish Sea Farms Sales Limited	Ordinary £1	Scotland	100%
Stewart Salmon Limited*	Ordinary £1	Scotland	100%
Slett Salmon Farms Limited*	Ordinary £1	Scotland	100%
Kerrera Fisheries Limited	Ordinary £1	Scotland	100%
MJM (Salmon) Ltd	Ordinary £1	Scotland	100%
Dury Salmon Ltd	Ordinary £1	Scotland	100%

* Held by a subsidiary undertaking

Notes to the financial statements

at 31 December 2010

12. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Materials and feed	1,422	1,444	1,356	1,348
Ongrowing fish	41,570	44,631	37,350	38,458
	<u>42,992</u>	<u>46,075</u>	<u>38,706</u>	<u>39,806</u>

13. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	5,891	6,128	5,891	6,128
Prepayments and accrued income	506	720	499	633
Amounts owed by group undertakings	5,636	4,445	5,636	5,936
Other debtors	415	505	343	467
	<u>12,448</u>	<u>11,798</u>	<u>12,369</u>	<u>13,164</u>

14. Creditors amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (note 16)	2,900	2,400	2,900	2,400
Bank overdraft	-	12,355	-	12,355
Non secured loans	563	750	563	750
Trade creditors	9,765	11,227	8,922	9,813
Social security	538	498	538	498
Corporation tax payable	4,763	3,348	4,667	3,304
Accruals and deferred income	2,480	2,320	2,222	1,891
Obligations under finance leases and hire purchase contracts (note 18)	490	676	490	676
Amounts owed to group companies	585	-	4,399	-
	<u>22,084</u>	<u>33,574</u>	<u>24,701</u>	<u>31,687</u>

The bank overdraft and bank loans are secured by a fixed and floating charge and standard security over all the assets of the company and its subsidiaries. In addition there is a first priority charge of the company's shares in its subsidiary undertakings.

Notes to the financial statements

at 31 December 2010

15. Creditors amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (note 16)	23,100	26,000	23,100	26,000
Non secured loans	953	953	953	953
Obligations under finance leases and hire purchase contracts (note 18)	913	197	913	197
	<u>24,966</u>	<u>27,150</u>	<u>24,966</u>	<u>27,150</u>

16. Bank loans

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not wholly repayable within five years				
£24 million bank loan	18,000	20,400	18,000	20,400
£8 million bank loan (see below)	8 000	8,000	8,000	8,000
	<u>26,000</u>	<u>28,400</u>	<u>26,000</u>	<u>28,400</u>
Less included in creditors amounts falling due within one year (note 14)	2,900	2,400	2,900	2,400
Amounts falling due after one year (note 15)	<u>23,100</u>	<u>26,000</u>	<u>23,100</u>	<u>26,000</u>
Amounts repayable				
Within one year	2,900	2,400	2,900	2,400
In two to five years	13,600	13,100	13,600	13,100
In over five years	9,500	12,900	9,500	12,900
	<u>26,000</u>	<u>28,400</u>	<u>26,000</u>	<u>28,400</u>

The bank loans are secured by a fixed and floating charge and standard security over all the assets of the company and its subsidiaries. In addition there is a first priority charge of the company's shares in its subsidiary undertakings.

17. Accruals and deferred income

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred government grants				
At 1 January	849	1060	849	1,060
Released in year	(206)	(211)	(206)	(211)
At 31 December	<u>643</u>	<u>849</u>	<u>643</u>	<u>849</u>

Notes to the financial statements

at 31 December 2010

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable				
Within one year	522	716	522	716
In two to five years	971	209	971	209
	<u>1,493</u>	<u>925</u>	<u>1,493</u>	<u>925</u>
Less finance charges allocated to future periods	(90)	(52)	(90)	(52)
	<u>1,403</u>	<u>873</u>	<u>1,403</u>	<u>873</u>

Finance leases and hire purchase contracts are analysed as follows

	<i>Group</i>		<i>Company</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Current obligations (note 14)	490	676	490	676
Non-current obligations (note 15)	913	197	913	197
	<u>1,403</u>	<u>873</u>	<u>1,403</u>	<u>873</u>

19. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>No</i>	<i>No</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	21,400,000	21,400,000	21 400	21,400

20. Profit and loss account

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
As at 1 January 2010	1,062	93
Profit for the year	21 475	17,936
Actuarial gain net of tax thereon	27	27
Dividend paid	(10,000)	(10,000)
As at 31 December 2010	<u>12 564</u>	<u>8,056</u>

The company has not presented its own profit and loss account for the year ended 31 December 2010. Of the group profit for the financial year a profit of £17,936,000 (2009 – £11,552,000) has been dealt with in the financial statements of the company.

Notes to the financial statements

at 31 December 2010

21. Reconciliation of equity shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
<i>Group</i>				
At 1 January 2009	21,400	1 600	680	23,680
Profit for the year	-	-	11,031	11,031
Actuarial loss net of tax thereon	-	-	(649)	(649)
Dividend paid	-	-	(10,000)	(10,000)
At 1 January 2010	21,400	1,600	1,062	24,062
Profit for the year	-	-	21 475	21,475
Actuarial gain net of tax thereon	-	-	27	27
Dividend paid	-	-	(10,000)	(10,000)
At 31 December 2010	21,400	1,600	12 564	35,564

An equity dividend of £0 47 per share was paid in the year (2009 - £0 47)

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
<i>Company</i>				
At 1 January 2009	21,400	1,600	(810)	22,190
Profit for the year	-	-	11,552	11,552
Actuarial loss net of tax thereon	-	-	(649)	(649)
Dividend paid	-	-	(10,000)	(10,000)
At 1 January 2010	21,400	1,600	93	23,093
Profit for the year	-	-	17,936	17,936
Actuarial gain net of tax thereon	-	-	27	27
Dividend paid	-	-	(10,000)	(10,000)
At 31 December 2010	21,400	1,600	8,056	31,056

An equity dividend of £0 47 per share was paid in the year (2009 - £0 47)

Notes to the financial statements

at 31 December 2010

22 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £263 000 (2009 - £179,000) for the group and the company

23. Pension scheme

FRS17 disclosures

The company sponsors the Scottish Sea Farms Defined Benefit Pension Scheme. The company took the decision to close the scheme to future accrual with effect from midnight on 31 December 2009. From 1 January 2010 members have been offered membership of the Company's Group Personal Pension Plan and no further defined benefits have accrued. A valuation of the scheme for FRS 17 purposes was carried out by a qualified independent actuary as at 31 December 2010. The valuation is based on projecting forward the 31 December 2009 FRS 17 disclosures, allowing for changes in financial conditions and making some allowance for membership movements.

The contributions made by the employer over the financial year have been £634,000. The company doesn't expect to contribute to the pension scheme in 2011.

The assets and liabilities of the scheme at 31 December 2010 are

Scheme assets at fair value

	2010 £000	2009 £000
Equities	6 136	5,218
Bonds	1,055	811
Cash	579	320
Fair value of scheme assets	7,770	6,349
Present value of scheme liabilities	(7,754)	(7,023)
Defined benefit pension scheme surplus/ (deficit)	16	(674)
Related deferred tax asset	-	189
Net pension surplus/(deficit) on the balance sheet	16	(485)

The net surplus of £16,000 at 31 December 2010 has not been incorporated into the financial statements as Scottish Sea Farms Ltd as an employer is not deemed to control or be able to benefit from the surplus.

The fair value of the assets of the scheme at 31 December 2010 relates wholly to equities, fixed interest bonds and cash.

Notes to the financial statements

at 31 December 2010

23. Pension scheme (continued)

The movements in assets and liabilities in the year are as follows

Change in benefit obligation:

	2010 £000	2009 £000
Benefit obligation at beginning of the year	7,023	4,564
Interest cost	399	312
Current service cost	-	200
Contributions by the scheme participants	-	143
Benefits paid	(51)	(24)
Actuarial gains	383	1,828
Benefit obligation at 31 December	7,754	7,023
	£000	£000
Fair value of scheme assets at beginning of the year	6,349	4,536
Expected return on scheme assets	418	284
Contributions by employer	634	484
Contributions by the scheme participants	-	143
Benefits paid	(51)	(24)
Actuarial gains	420	926
Fair value of scheme assets at 31 December	7,754	7,023
Net amount recognised	nil	(674)

The actual return on scheme assets during 2010 was £838 000

The amount recognised in the group profit and loss account, and in the group statement of total recognised gains and losses for the year is analysed as follows

Recognised in the profit and loss account

	2010 £000	2009 £000
Current service cost	-	200
Expected return on pension scheme assets	(418)	(284)
Interest on pension obligation	399	312
Net return	(19)	28

Notes to the financial statements

at 31 December 2010

23 Pension scheme (continued)

Taken to the statement of total recognised gains and losses

	2010 £000	2009 £000
Actual return less expected return on scheme assets	420	926
Experienced gains arising on the scheme liabilities	(76)	(38)
Changes in assumptions underlying the present value of the scheme liabilities	(307)	(1,790)
Actuarial gain/ (losses) recognised in the statement of total recognised gains and losses	37	(902)

Main assumptions

Rate of increase in deferred pensions	3.35%	3.50%
Rate of increase in pensions in deferment	3.35%	3.50%
Discount rate	5.40%	5.70%
Inflation assumption	3.35%	3.50%
Expected rates of return on scheme assets		
Equities	6.40%	6.75%
Bonds	5.40%	5.70%
Cash	0.50%	0.50%

Statutory pension increases or revaluations based on price inflation

The UK Government announced on 8 July 2010 that statutory pension increases or revaluations would be based on the Consumer Prices Index measure of price inflation from 2011, rather than the Retail Prices Index measure of price inflation. At this stage the extent, if any, to which this change applies to the benefits from within this Scheme has not been confirmed. It has been agreed that no adjustment will be made within the disclosures until the position has been clarified.

The same post retirement mortality assumption has been adopted as was used at 31 December 2009 i.e. the 2000 series tables with 40% uplift to the base qx rates and future improvements in line with year of birth medium cohort projections including a 1% p.a. minimum underpin. These tables correspond to life expectancies from age 65 as follows:

	Male	Female
Member currently aged 65	19.5	22.0
Member currently aged 45	21.4	23.8

In addition, an allowance was made for members to choose to commute 25% of their pension entitlement for a tax-free cash lump sum at retirement (2009: 25%).

Notes to the financial statements

at 31 December 2010

23. Pension scheme (continued)

Five year history

	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000
Fair value of scheme assets	5,457	5,644	4,536	6,349	7,770
Present value of defined benefit obligation (5,580)	(5,580)	(5,609)	(4,564)	(7,023)	(7,754)
(Deficit)/surplus in the scheme	(123)	35	(28)	(674)	16
Difference between actual and expected return on scheme assets	203	(252)	(2,045)	926	420
Experience gains and (losses) on scheme liabilities	188	21	10	(38)	(76)

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2010 amounted to £nil. The contributions paid to this scheme in the year were £218,000.

24. Other financial commitments

As at 31 December 2009 the group had annual commitments under non-cancellable operating leases as set out below

	2010 £000	2009 £000
Operating leases which expire In two to five years	3,745	2,352

25. Related parties

- i) During the year, the group bought and sold fish in the normal course of business from/to Hallvard Leroy AS and Salmar Sales AS, both subsidiaries of its ultimate parent undertakings. The price charged was the normal market price in the case of each individual purchase/sale. Included in the profit and loss account are the following amounts relating to transactions with Hallvard Leroy AS and Salmar Sales AS

	2010 £000	2009 £000
Turnover	44,145	38,094
Cost of sales	2,232	1,051

At the balance sheet date the amount due from Hallvard Leroy AS was £5,636,000 (2009 - £4,202,000) and an amount due to Hallvard Leroy AS of £32,000 (2009 - £38,000). Salmar Sales AS were owed £553,000 (2009 - £nil) at the balance sheet date.

- ii) There have been other intra group transactions but these have not been disclosed due to the exemption contained in Financial Reporting Statement No 8.

Notes to the financial statements

at 31 December 2010

26 Parent undertakings and controlling parties

In the opinion of the directors, the company's immediate parent undertaking is Norskott Havbruk AS, incorporated in Norway. It will include the company in its group financial statements, copies of which will be available from its registered office Bontelabo 2, 5020 Bergen, Norway.

In the opinion of the directors, the company's ultimate parent undertakings and controlling parties are Leroy Seafood Group ASA and Salmar AS, both companies incorporated in Norway. Copies of their group financial statements, which include the company, are available from PO Box 7600, N-5020 Bergen, Norway, and N-216 Kverva, Norway, respectively.