Registered Number: 958001

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2011

Registered No 958001

Directors
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Gustave Witzoe
Jim F Gallagher
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Directors' report

Registered No· 958001

The directors present their report and the group financial statements for the year ended 31 December 2011

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 2011

Group turnover was £88,721,000, a decrease of £21,271,000 on 2010

Group operating profit was £13,252,000 a decrease of £16,132,000 on 2010

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

	2011	2010	
Profit margin	14 3%	26 1%	Profit before tax/turnover
Current ratio	1 50	2 51	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 2012

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 £9,035,000 (2010 £21,475,000) and is dealt with as shown in the group profit and loss account

An interim dividend of £7,500,000 has been paid in the year, with a final dividend of £7,500,000 declared and payable, giving a total dividend of £15,000,000 in the year (2010 £10,000,000)

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

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 2011, the company had an average of 53 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

10th Feb 2012

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 auditors' 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 2011 which comprise the Group Profit and Loss account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets 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 set out 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 In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 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 auditors' 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

Ernst & Young LLP

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

10 February 2012

Group profit and loss account

for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Turnover	2	88,721	109,992
Cost of sales		(70,811)	(71,658)
Gross profit		17,910	38,334
Distribution costs		(2,046)	(5,419)
Administrative expenses		(2,612)	(3,531)
Group operating profit	3	13,252	29,384
Interest payable	6	(653)	(653)
Other finance income	7	46	19
Profit on ordinary activities before taxation		12,645	28,750
Tax on profit on ordinary activities	8(a)	(3,610)	(7,275)
Profit for the financial year	20 & 21	9,035	21,475

All the above relate to continuing operations

Group statement of total recognised gains and losses

for the year ended 31 December 2011

		2011 £000	2010 £000
Profit for the financial year		9,035	21,475
Actuarial (loss)/ gain on defined benefit pension scheme, net of taxation	23	(427)	27
Total recognised gains and losses relating to the year		8,608	21,502

Group balance sheet

at 31 December 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Intangible assets	9	6,303	6,852
Tangible assets	10	21,189	21,640
		27,492	28,492
Current assets			
Stocks	12	56,212	42,992
Debtors	13	12,262	12,448
Cash at bank and in hand		1,064	71
		69,538	55,511
Creditors amounts falling due within one year	14	(46,384)	(22,084)
Net current assets		23,154	33,427
Total assets less current liabilities		50,646	61,919
Creditors amounts falling due after more than one year	15	(20,455)	(24,966)
Provisions for liabilities and charges	8(d)	(492)	(746)
Accruals and deferred income	17	(527)	(643)
Net assets excluding retirement benefits		29,172	35,564
Retirement benefit	23	-	-
Net assets		29,172	35,564
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	6,172	12,564
Equity shareholders' funds		29,172	35,564

J F Gallagher

J F Gallagher
Director
10th Feb 2012

Company balance sheet

at 31 December 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Intangible assets	9	6,280	6,809
Tangible assets	10	17,445	17,627
Investments	11	6,500	6,500
		30,225	30,936
Current assets			
Stocks	12	48,107	38,706
Debtors	13	12,171	12,369
Cash at bank and in hand		1,064	71
		61,342	51,146
Creditors amounts falling due within one year	14	(45,791)	(24,701)
Net current assets		15,551	26,445
Total assets less current liabilities		45,776	57,381
Creditors amounts falling due after more than one year	15	(20,455)	(24,966)
Provisions for liabilities and charges	8 (d)	(585)	(716)
Accruals and deferred income	17	(527)	(643)
Net assets excluding retirement benefits		24,209	31,056
Retirement benefit	23	-	-
Net assets		24,209	31,056
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	1,209	8,056
Equity shareholders' funds		24,209	31,056

Jim Gallagher

J F Gallagher
Director
10th Feb 2012

Notes to the financial statements

at 31 December 2011

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 2011 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 ongrowing 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 2011

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

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments

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 2011

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)

	2011	*2010*
	£000	*£000*
Depreciation of owned assets	5,244	4,716
Depreciation of assets held under finance leases and hire purchase contracts	301	393
	5,545	5,109
Directors' remuneration	392	536
Auditors' remuneration		
- audit services	40	40
- non audit services		
Taxation	32	32
Pension	5	5
Hire of plant and equipment	4,985	3,580
Research and development	267	99
Government grants released	(116)	(206)
Amortisation of goodwill	549	565
Exchange loss/ (gain)	15	(8)
Gain on sale of fixed assets	(77)	(81)

Notes to the financial statements

at 31 December 2011

4. Directors' remuneration

	2011	*2010*
	£000	*£000*
Emoluments	392	536
Contributions paid into defined contributions pension scheme	27	24

	2011	*2010*
	No	*No*
Active members of defined benefit pension scheme	-	-
Active members of defined contributions pension scheme	2	2

The emoluments of the highest paid director for the year ended 31 December 2011 were £258,000 (2010 - £386,000) He was a deferred member of the group's defined benefit pension scheme and his accrued pension at 31 December 2011 was £24,000 Pension contributions for the highest paid director amounted to £18,000 (2010 - £13,000)

5. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	9,658	9,927
Social security costs	937	939
Other pension costs	227	218
	10,822	11,084

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

	2011	*2010*
	No	*No*
Production	330	333
Administration	28	27
	358	360

6. Interest payable

	2011	*2010*
	£000	*£000*
Bank loan interest	553	523
Bank overdraft interest	24	47
Finance charges payable under finance leases and hire purchase contracts	60	83
Other interest	16	-
	653	653

Notes to the financial statements

at 31 December 2011

7. Other finance income/ (charge)

	2011 £000	2010 £000
Interest on pension scheme liabilities	(418)	(399)
Expected return on pension scheme assets	464	418
	46	19

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax charge is made up as follows

	Note	2011 £000	2010 £000
UK corporation tax			
UK corporation tax on profits for year		3,863	7,297
Tax under/ (over)provided in previous years		1	(4)
	8(b)	3,864	7,293
Deferred tax			
Originating and reversal of timing differences	8(d)	(254)	(18)
		3,610	7,275

(b) Factors affecting the current tax charge

Group

	Note	2011 £000	2010 £000
Profit on ordinary activities before tax		12,645	28,750
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 – 28%)		3,351	8,050
Effect of			
Disallowed expenses and non-taxable income		313	248
Fixed asset timing differences		241	151
Other timing differences		(40)	29
Tax under/ (over) provided in previous years		1	(4)
Pension provision		-	(183)
Brought forward tax losses utilised		(26)	(1,016)
Rollover /Holdover gains		24	18
	8(a)	3,864	7,293

Notes to the financial statements

at 31 December 2011

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 £281,000 (2010 - £601,000), 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 The 2011 budget reduced the tax rate to 26% with effect from 1 April 2011, and proposed further reductions to be introduced in future Finance Bills bringing the rate down to 23%

The main rate was reduced to 25% with effect from 1 April 2012 This change was substantively enacted on 5 July 2011 therefore deferred tax has been provided at this rate in these accounts

The effect of the reduction in the tax rate from 25% to 23% on the group's deferred tax liability is £39k

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

		Group		*Company*
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	631	981	723	975
Other timing differences	(139)	(259)	(138)	(259)
Capital gains	-	24	-	-
	492	746	585	716

	Group	*Company*
	£000	*£000*
At 1 January 2011	746	716
Credit for year	(314)	(191)
Adjustment in respect of prior years	60	60
At 31 December 2011	492	585

All the deferred tax balances above are stated at 25% (2010 – 27%)

Notes to the financial statements

at 31 December 2011

9. Intangible fixed assets

	Group goodwill £000	Company goodwill £000
Cost		
At 1 January 2011 and 31 December 2011	9,030	8,539
Amortisation		
At 1 January 2011	2,178	1,730
Provided during the year	549	529
At 31 December 2011	2,727	2,259
Net book value		
At 31 December 2011	6,303	6,280
At 1 January 2011	6,852	6,809

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

10. Tangible assets

Group

	Freehold land and buildings £000	Buildings on leasehold land £000	Machinery and equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2011	5,676	1,099	66,079	1,420	74,274
Additions	53	-	4,560	481	5,094
Disposals	-	-	-	(84)	(84)
At 31 December 2011	5,729	1,099	70,639	1,817	79,284
Depreciation					
At 1 January 2011	2,001	1,099	48,380	1,154	52,634
Additions	246	-	5,061	238	5,545
Disposals	-	-	-	(84)	(84)
At 31 December 2011	2,247	1,099	53,441	1,308	58,095
Net book value					
At 31 December 2011	3,482	-	17,198	509	21,189
At 1 January 2011	3,675	-	17,699	266	21,640

The net book value of machinery and equipment and motor vehicles includes £1,044,000 (2010 - £2,218,000) and £415,000 (2010 - £207,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2011

10. Tangible assets (continued)

Company

	Freehold land and buildings £000	*Buildings on leasehold land £000*	*Machinery and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost					
At 1 January 2011	3,029	1,099	58,078	1,305	63,511
Additions	52	-	4,155	463	4,670
Disposals	-	-	-	(84)	(84)
At 31 December 2011	3,081	1,099	62,233	1,684	68,097
Depreciation					
At 1 January 2011	1,922	1,099	41,779	1,084	45,884
Additions	220	-	4,412	220	4,852
Disposals	-	-	-	(84)	(84)
At 31 December 2011	2,142	1,099	46,191	1,220	50,652
Net Book Value					
At 31 December 2011	939	-	16,042	464	17,445
At 1 January 2011	1,107	-	16,299	221	17,627

The net book value of machinery and equipment and motor vehicles includes £983,000 (2010 - £2,141,000) and £391,000 (2010 - £184,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2011

11. Investments

Company

	Subsidiary Undertakings 2011 £000	*Subsidiary Undertakings 2010 £000*
Cost		
At 1 January and 31 December	6,500	6,500

Subsidiary undertakings

	Class of shares	*Country of incorporation*	*Proportion held*
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%
Scottish Sea Farms Sales 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

12. Stocks

	Group		*Company*	
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Materials and feed	1,623	1,422	1,445	1,356
Ongrowing fish	54,589	41,570	46,662	37,350
	56,212	42,992	48,107	38,706

Notes to the financial statements

at 31 December 2011

13. Debtors

		Group		Company
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade debtors	7,015	5,891	7,015	5,891
Prepayments and accrued income	1,200	506	1,187	499
Amounts owed by group undertakings	3,363	5,636	3,363	5,636
Other debtors	684	415	606	343
	12,262	12,448	12,171	12,369

14. Creditors: amounts falling due within one year

		Group		Company
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank loans (note 16)	3,400	2,900	3,400	2,900
Bank overdraft	16,000	-	16,000	-
Non secured loans	750	563	750	563
Trade creditors	13,417	9,765	11,701	8,922
Social security	416	538	416	538
Corporation tax payable	2,089	4,763	1,791	4,667
Dividend payable	7,500	-	7,500	-
Accruals and deferred income	2,301	2,480	2,159	2,222
Obligations under finance leases and hire purchase contracts (note 18)	488	490	488	490
Amounts owed to associated companies	23	585	1,586	4,399
	46,384	22,084	45,791	24,701

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

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

		Group		Company
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank loans (note 16)	19,700	23,100	19,700	23,100
Non secured loans	15	953	15	953
Obligations under finance leases and hire purchase contracts (note 18)	740	913	740	913
	20,455	24,966	20,455	24,966

Notes to the financial statements

at 31 December 2011

16. Bank loans

	Group		Company	
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Not wholly repayable within five years				
£24 million bank loan	15,600	18,000	15,600	18,000
£8 million bank loan (see below)	7,500	8,000	7,500	8,000
	23,100	26,000	23,100	26,000
Less included in creditors amounts falling due within one year (note 14)	3,400	2,900	3,400	2,900
Amounts falling due after one year (note 15)	19,700	23,100	19,700	23,100
Amounts repayable				
Within one year	3,400	2,900	3,400	2,900
In two to five years	13,600	13,600	13,600	13,600
In over five years	6,100	9,500	6,100	9,500
	23,100	26,000	23,100	26,000

The £24 million bank loan is repayable in quarterly instalments of £600,000, with the final repayment due in June 2018

The £8 million bank loan is repayable in quarterly instalments of £250,000, with a final repayment of £1,250,000 due in June 2018

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

	Group		Company	
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Deferred government grants				
At 1 January	643	849	643	849
Released in year	(116)	(206)	(116)	(206)
At 31 December	527	643	527	643

Notes to the financial statements

at 31 December 2011

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

		Group		*Company*
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Amounts payable				
Within one year	518	522	518	522
In two to five years	787	971	787	971
	1,305	1,493	1,305	1,493
Less finance charges allocated to future periods	(77)	(90)	(77)	(90)
	1,228	1,403	1,228	1,403

Finance leases and hire purchase contracts are analysed as follows

		Group		*Company*
	2011	*2010*	*2011*	*2010*
	£000	*£000*	*£000*	*£000*
Current obligations (note 14)	488	490	488	490
Non-current obligations (note 15)	740	913	740	913
	1,228	1,403	1,228	1,403

19. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2011	*2010*	*2011*	*2010*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

20. Profit and loss account

	Group	*Company*
	£000	*£000*
As at 1 January 2011	12,564	8,056
Profit for the year	9,035	8,580
Actuarial loss net of tax thereon	(427)	(427)
Dividend paid/ payable	(15,000)	(15,000)
As at 31 December 2011	6,172	1,209

The company has not presented its own profit and loss account for the year ended 31 December 2011 Of the group profit for the financial year, a profit of £8,580,000 (2010 – £17,936,000) has been dealt with in the financial statements of the company

Notes to the financial statements

at 31 December 2011

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

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Group				
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 1 January 2011	21,400	1,600	12,564	35,564
Profit for the year	-	-	9,035	9,035
Actuarial loss net of tax thereon	-	-	(427)	(427)
Dividend paid/ proposed	-	-	(15,000)	(15,000)
At 31 December 2011	21,400	1,600	6,172	29,172

An equity dividend of £0 70 per share was paid in the year (2010 - £0 47)

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Company				
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 1 January 2011	21,400	1,600	8,056	31,056
Profit for the year	-	-	8,580	8,580
Actuarial loss net of tax thereon	-	-	(427)	(427)
Dividend paid	-	-	(15,000)	(15,000)
At 31 December 2011	21,400	1,600	1,209	24,209

An equity dividend of £0 70 per share was paid/ payable in the year (2010 - £0.47)

Notes to the financial statements

at 31 December 2011

22 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,192,000 (2010 - £263,000) 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 2011 The valuation is based on projecting forward the preliminary results of the 28 February 2011 funding valuation, allowing for changes in financial conditions and making some allowance for membership movements Scheme assets are stated at their bid-market value at 31 December 2011

The contributions made by the employer over the financial year have been £514,000 The company does not expect to contribute to the pension scheme in 2012 In addition, all costs of administration are paid by the Company

The assets and liabilities of the scheme at 31 December 2011 are

Scheme assets at fair value

	2011	*2010*
	£000	*£000*
Equities	-	6,136
Corporate Bonds	5,028	1,055
Government Bonds	5,017	-
Cash	2	579
Fair value of scheme assets	10,047	7,770
Present value of scheme liabilities	(7,985)	(7,754)
Defined benefit pension scheme surplus/ (deficit)	2,062	16
Effect of asset limitation	(2,062)	(16)
Net pension surplus on the balance sheet	-	-

The net surplus of £2,062,000 at 31 December 2011 (2010 £16,000) 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, in line with paragraph 41 of Financial Reporting Standard No 17 "Retirement Benefits"

The fair value of the assets of the scheme at 31 December 2011 relates wholly to fixed interest gilts, bonds and cash

Notes to the financial statements

at 31 December 2011

23. Pension scheme (continued)

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

Change in benefit obligation:

	2011 £000	2010 £000
Benefit obligation at beginning of the year	7,754	7,023
Interest cost	418	399
Current service cost	-	-
Benefits paid	(39)	(51)
Actuarial (losses)/gains	(148)	383
Benefit obligation at 31 December	7,985	7,754

	£000	£000
Fair value of scheme assets at beginning of the year	7,770	6,349
Expected return on scheme assets	464	418
Contributions by employer	514	634
Benefits paid	(39)	(51)
Actuarial gains	1,338	420
Fair value of scheme assets at 31 December	10,047	7,770
Net amount recognised	nil	nil

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

	2011 £000	2010 £000
Current service cost	-	-
Expected return on pension scheme assets	(464)	(418)
Interest on pension obligation	418	399
Net return	(46)	(19)

Notes to the financial statements

at 31 December 2011

23. Pension scheme (continued)

Taken to the statement of total recognised gains and losses

	2011 *£000*	*2010* *£000*
Actual return less expected return on scheme assets	1,338	420
Experienced gains arising on the scheme liabilities	377	(76)
Changes in assumptions underlying the present value of the scheme liabilities	(229)	(307)
Actuarial gain recognised in the statement of total recognised gains and losses	1,486	37
Effect of asset limitation under paragraph 41 of FRS 17	(2,062)	-
Actuarial (loss)/ gain recognised in the statement of total recognised gains and losses	(576)	37

The cumulative amount recognised in the statement of total recognised gains and losses is (£2,649k)

Main assumptions

Rate of increase in deferred pensions accrued pre 1 March 2002	3 20%	3 35%
Rate of increase in deferred pensions accrued post 1 March 2002	2 80%	3 35%
Rate of increase in pensions in deferment	3 35%	3 35%
Discount rate	4 70%	5 40%
Inflation assumption - RPI	2 80%	3 35%
Inflation assumption - CPI	2 30%	3 35%
Expected rates of return on scheme assets		
Equities	n/a	6 40%
Corporate Bonds	4 70%	5 40%
Government Bonds	2 80%	4 18%
Cash	0 50%	0 50%

The expected return on assets assumptions have been set as follows

Expected return on gilts Long dated fixed interest gilt yield at 31 December 2011

Expected return on equities Long dated fixed interest gilt yield at 31 December 2011 plus 2 25% p a

Expected return on corporate bonds In line with the discount rate at 31 December 2011

Expected return on cash In line with the Bank of England base rate at 31 December 2011

The actual return on scheme assets during 2011 was £1,803,000 (2010 £838,000)

Notes to the financial statements

at 31 December 2011

23. Pension scheme (continued)

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

The accounting assumption for future revaluations in deferment has been changed to reflect CPI rather than RPI increases Future increases to pensions once in payment continue to reflect RPI increases

The same post retirement mortality assumption has been adopted as was used for the preliminary results of the funding valuation at 28 February 2011 i e the S1NA tables with a 20% uplift to the base q_x rates and future improvements in line with year of birth CMI_2009[1%] improvements These tables correspond to life expectancies from age 65 as follows

	Male	Female
Member currently aged 65	20 4	22 6
Member currently aged 45	21 8	24 2

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 using factors currently in force (2010 25%)

Five year history

	2007 *£000*	*2008* *£000*	*2009* *£000*	*2010* *£000*	*2011* *£000*
Fair value of scheme assets	5,644	4,536	6,349	7,770	10,047
Present value of defined benefit obligation	(5,609)	(4,564)	(7,023)	(7,754)	7,985
(Deficit)/surplus in the scheme	35	(28)	(674)	16	2,062
Difference between actual and expected return on scheme assets	(252)	(2,045)	926	420	1,338
Experience gains and (losses) on scheme liabilities	21	10	(38)	(76)	377

The company also operates a defined contribution scheme for its employees Contributions accrued and due to be paid at 31 December 2011 amounted to £nil The contributions paid to this scheme in the year were £227,000

Notes to the financial statements

at 31 December 2011

24. Other financial commitments

As at 31 December 2011 the group had annual commitments under non-cancellable operating leases as set out below

	2011	*2010*
	£000	*£000*
Operating leases which expire		
Within one year	3,626	-
In two to five years	-	3,745

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

	2011	*2010*
	£000	*£000*
Sales to associated company	24,598	44,145
Purchases from associated companies	442	2,232

At the balance sheet date the amount due from Hallvard Leroy AS was £3,363,000 (2010 - £5,636,000) and an amount due to Hallvard Leroy AS of £23,000 (2010 - £32,000)

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

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