

Registered Number: 958001

# **Scottish Sea Farms Limited**

## **Report and Financial Statements**

31 December 2013

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COMPANIES HOUSE

## Scottish Sea Farms Limited

Registered No: 958001

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### **Directors**

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

### **Secretary**

D Anderson

### **Auditors**

Ernst & Young LLP  
G1  
5 George Square  
Glasgow  
G2 1DY

### **Bankers**

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

### **Solicitors**

Shepherd and Wedderburn  
191 West George Street  
Glasgow  
G2 2LB

### **Registered Office**

Condor House  
10 Saint Paul's Churchyard  
London  
EC4M 8AL

## Strategic report

The directors present their strategic report for the year ended 31 December 2013.

### 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 2013.

Group turnover was £130,865,000, an increase of £28,569,000 on 2012, and the highest turnover in the group's history.

Group operating profit was £23,012,000 an increase of £17,557,000 on 2012.

In 2013 we have seen strong demand in all markets with higher price returns. Salmon continues to be the fish of choice by consumers with its excellent sustainability and health attributes, and we anticipate that this will continue well into the future. We have seen domestic demand grow in the UK market as well as significant growth in export markets, with an increase in export values of £21,600,000 year on year. The improved market conditions and higher sales prices achieved in 2013 has been the most significant development this year and are the main factors in achieving the increased profit level.

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

|               | <u>2013</u> | <u>2012</u> |                                     |
|---------------|-------------|-------------|-------------------------------------|
| Profit margin | 17.0%       | 4.6%        | Profit before tax/turnover          |
| Current ratio | 2.91        | 1.45        | Current assets: Current liabilities |

Group shareholders' funds have increased by £16,952,000 to £49,499,000 (an increase of 52%), due to the improvement in retained earnings.

We consider that the group is well placed in the salmon farming industry against a background of a challenging global environment.

Feed and biological performance will continue to be our primary goal for improvement going forward. Our policy is to make investments and necessary changes that allow us to continue to improve in these principal areas. We are mindful of the biological risks associated with salmon farming and have a stocking strategy to combat this. We are continuing to invest in our wrasse research and development programme, and our work in this area is evolving and being rewarded with the knowledge gained in recent years.

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

## Strategic report (continued)

### Review of the business (continued)

Most employees live in the locality of our operations, with many having been brought up, settled and working within their local communities. We recognise that success not only depends upon our business competence and investment, but also support from within local communities which allows us to grow and develop. The broad aim of the 'Heart of the Community' Trust is to provide financial grants for community projects that deliver lasting change within the regions in which the group operates. - Shetland, Orkney, Highland, Argyll and Dumfries. We have been proud to offer financial support over the last three years to worthwhile charities and groups in these important communities.

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 2014.

On behalf of the board



J F Gallagher  
Director

7th February

2014

## Directors' report

The directors present their report and the group financial statements for the year ended 31 December 2013.

### Principal activity and review of the business

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

### Results and dividends

The profit for the year, after taxation, amounts to £16,952,000 (2012: £3,375,000).

No dividend has been declared during the year (2012: NIL)

### Directors

The directors during the year, at the year-end and at the date of signing these accounts are listed on page 2.

### 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 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 conducting credit checks on its customers and arranges credit terms accordingly. The majority of our supply relationships are with a long established base.

### Going concern

The group's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to credit and interest risk are described above.

After making suitable enquiries, the Directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### 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.

## Directors' report (continued)

### 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.

### 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

7th February

2014

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Strategic Report, 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 the 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 judgments and accounting 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 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 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent 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 7, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

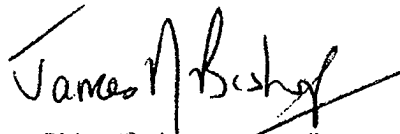


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH SEA FARMS LIMITED (continued).**

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

7 February 2014

## Group profit and loss account

for the year ended 31 December 2013

|  | Notes   | 2013<br>£000 | 2012<br>£000 |
|--|---------|--------------|--------------|
| <b>Turnover</b>                                      | 2       | 130,865      | 102,296      |
| Cost of sales  |         | (100,208)    | (91,407)     |
| <b>Gross profit</b>                                  |         | 30,657       | 10,889       |
| Distribution costs                                   |         | (4,036)      | (2,975)      |
| Administrative expenses                              |         | (3,609)      | (2,459)      |
| <b>Group operating profit</b>                        | 3       | 23,012       | 5,455        |
| Interest payable                                     | 6       | (750)        | (766)        |
| Other finance (cost)/ income                         | 7       | (64)         | 7            |
| <b>Profit on ordinary activities before taxation</b> |         | 22,198       | 4,696        |
| Tax on profit on ordinary activities                 | 8(a)    | (5,246)      | (1,321)      |
| <b>Profit for the financial year</b>                 | 20 & 21 | 16,952       | 3,375        |

All the above relate to continuing operations.

## Group statement of total recognised gains and losses

for the year ended 31 December 2013


|                               | 2013<br>£000 | 2012<br>£000 |
|-------------------------------|--------------|--------------|
| Profit for the financial year | 16,952       | 3,375        |

## Group balance sheet

at 31 December 2013

|  | Notes   | 2013<br>£000         | 2012<br>£000         |
|--|---------|----------------------|----------------------|
| <b>Fixed assets</b>  |         |                      |                      |
| Intangible assets  | 9       | 5,295                | 5,829                |
| Tangible assets  | 10      | 20,928               | 22,621               |
|  |         | <u>26,223</u>        | <u>28,450</u>        |
| <b>Current assets</b>  |         |                      |                      |
| Stocks   | 12      | 60,325               | 56,848               |
| Debtors  | 13      | 13,296               | 9,489                |
| Cash at bank and in hand                                       |         | 1,081                | 2,270                |
|  |         | <u>74,702</u>        | <u>68,607</u>        |
| <b>Creditors:</b> amounts falling due within one year          | 14      | (25,662)             | (47,348)             |
|  |         | <u>49,040</u>        | <u>21,259</u>        |
| <b>Net current assets</b>                                      |         |                      |                      |
|  |         | <u>75,263</u>        | <u>49,709</u>        |
| <b>Total assets less current liabilities</b>                   |         |                      |                      |
| <b>Creditors:</b> amounts falling due after more than one year | 15      | (25,617)             | (16,730)             |
| <b>Provisions for liabilities and charges</b>                  | 8(d)    | -                    | (152)                |
| <b>Accruals and deferred income</b>                            | 17      | (147)                | (280)                |
|  |         | <u>49,499</u>        | <u>32,547</u>        |
| <b>Net assets</b>  |         |                      |                      |
|  |         | <u><u>49,499</u></u> | <u><u>32,547</u></u> |
| <b>Capital and reserves</b>                                    |         |                      |                      |
| Called up equity share capital                                 | 19 & 21 | 21,400               | 21,400               |
| Share premium account  | 21      | 1,600                | 1,600                |
| Profit and loss account  | 20 & 21 | 26,499               | 9,547                |
|  |         | <u>49,499</u>        | <u>32,547</u>        |
| <b>Equity shareholders' funds</b>                              |         | <u><u>49,499</u></u> | <u><u>32,547</u></u> |

The financial statements were approved by the board of directors and signed on its behalf by:

  
 J F Gallagher  
 Director  
 7th February 2014

## Company balance sheet

at 31 December 2013

|  | Notes   | 2013<br>£000  | 2012<br>£000  |
|--|---------|---------------|---------------|
| <b>Fixed assets</b>  |         |               |               |
| Intangible assets  | 9       | 5,312         | 5,826         |
| Tangible assets  | 10      | 16,931        | 18,376        |
| Investments  | 11      | 6,500         | 6,500         |
|  |         | <u>28,743</u> | <u>30,702</u> |
| <b>Current assets</b>  |         |               |               |
| Stocks   | 12      | 52,160        | 50,982        |
| Debtors  | 13      | 13,066        | 9,476         |
| Cash at bank and in hand                                       |         | 1,081         | 2,270         |
|  |         | <u>66,307</u> | <u>62,728</u> |
| <b>Creditors:</b> amounts falling due within one year          | 14      | (28,632)      | (50,569)      |
| <b>Net current assets</b>                                      |         | <u>37,675</u> | <u>12,159</u> |
| <b>Total assets less current liabilities</b>                   |         | <u>66,418</u> | <u>42,861</u> |
| <b>Creditors:</b> amounts falling due after more than one year | 15      | (25,617)      | (16,730)      |
| <b>Provisions for liabilities and charges</b>                  | 8 (d)   | (111)         | (290)         |
| <b>Accruals and deferred income</b>                            | 17      | (147)         | (280)         |
| <b>Net assets</b>  |         | <u>40,543</u> | <u>25,561</u> |
| <b>Capital and reserves</b>                                    |         |               |               |
| Called up equity share capital                                 | 19 & 21 | 21,400        | 21,400        |
| Share premium account  | 21      | 1,600         | 1,600         |
| Profit and loss account  | 20 & 21 | 17,543        | 2,561         |
| <b>Equity shareholders' funds</b>                              |         | <u>40,543</u> | <u>25,561</u> |

The financial statements were approved by the board of directors and signed on its behalf by:



J F Gallagher  
Director

7th February

2014

## Notes to the financial statements

at 31 December 2013

### 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 2013. 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 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.

#### ***Revenue recognition***

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

#### ***Sale of goods***

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

## Notes to the financial statements

at 31 December 2013

### 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 2013

### 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):

|  | 2013<br>£000      | 2012<br>£000      |
|--|-------------------|-------------------|
| Depreciation of owned assets   | 5,490             | 5,704             |
| Depreciation of assets held under finance leases and hire purchase contracts | 309               | 302               |
|  | <u>5,799</u>      | <u>6,006</u>      |
| Directors' remuneration  | 728               | 395               |
| Auditors' remuneration   |                   |                   |
| - audit services   | 42                | 40                |
| - non audit services:  |                   |                   |
| Taxation   | 30                | 30                |
| Pension  | 5                 | 9                 |
| Hire of plant and equipment  | 4,316             | 4,645             |
| Research and development   | 1,103             | 1,118             |
| Government grants released   | (133)             | (247)             |
| Amortisation of goodwill   | 563               | 559               |
| Exchange loss  | 167               | 44                |
| Gain on sale of fixed assets   | (17)              | (45)              |
|  | <u>          </u> | <u>          </u> |

## Notes to the financial statements

at 31 December 2013

### 4. Directors' remuneration

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Emoluments   | 728          | 395          |
| Contributions paid into defined contributions pension scheme | 30           | 27           |
|  |              |              |
|  | 2013<br>No.  | 2012<br>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 2013 were £469,000 (2012 - £258,000). He was a deferred member of the group's defined benefit pension scheme and his accrued pension at 31 December 2013 was £26,000. Pension contributions for the highest paid director amounted to £21,000 (2012 - £18,000).

### 5. Staff costs

|                       | 2013<br>£000 | 2012<br>£000 |
|-----------------------|--------------|--------------|
| Wages and salaries    | 10,938       | 10,429       |
| Social security costs | 1,066        | 986          |
| Other pension costs   | 238          | 233          |
|                       | 12,242       | 11,648       |

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

|                | 2013<br>No. | 2012<br>No. |
|----------------|-------------|-------------|
| Production     | 344         | 346         |
| Administration | 31          | 30          |
|                | 375         | 376         |

### 6. Interest payable

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Bank loan interest   | 640          | 406          |
| Bank overdraft interest  | 57           | 288          |
| Finance charges payable under finance leases and hire purchase contracts | 53           | 56           |
| Other interest   | -            | 16           |
|  | 750          | 766          |



# Notes to the financial statements

at 31 December 2013

## 7. Other finance (cost)/ income

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Interest on pension scheme liabilities   | (420)        | (372)        |
| Expected return on pension scheme assets | 356          | 379          |
|  | <u>(64)</u>  | <u>7</u>     |

## 8. Taxation

(a) Tax on profit on ordinary activities

*Group*

The tax charge is made up as follows:

|  | Note | 2013<br>£000 | 2012<br>£000 |
|--|------|--------------|--------------|
| UK corporation tax:                            |      |              |              |
| UK corporation tax on profit for year          |      | 5,479        | 1,676        |
| Tax (over)/ under provided in previous years   |      | (22)         | (15)         |
|  | 8(b) | <u>5,457</u> | <u>1,661</u> |
| Deferred tax:                                  |      |              |              |
| Originating and reversal of timing differences | 8(d) | (211)        | (340)        |
|  |      | <u>5,246</u> | <u>1,321</u> |

(b) Factors affecting the current tax charge

*Group*

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are reconciled below:

|   | Note | 2013<br>£000 | 2012<br>£000 |
|---|------|--------------|--------------|
| Profit on ordinary activities before tax  |      | 22,198       | 4,696        |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%) |      | <u>5,161</u> | <u>1,151</u> |
| Effect of:  |      |              |              |
| Disallowed expenses and non-taxable income  |      | 130          | 221          |
| Fixed asset timing differences  |      | 297          | 288          |
| Other timing differences  |      | (79)         | 44           |
| Tax (over)/ under provided in previous years  |      | (22)         | (15)         |
| Brought forward tax losses utilised   |      | (30)         | (28)         |
| Rollover /Holdover gains  |      | -            | -            |
|   | 8(a) | <u>5,457</u> | <u>1,661</u> |

# Notes to the financial statements

at 31 December 2013

## 8. Taxation (continued)

### (c) Factors that may affect future tax charges

The chancellor has announced that the main UK corporation tax rate will be reduced from the current rate of 23% which has applied from 1 April 2013, to 20% via a 2% reduction at 1 April 2014 and a 1% reduction at 1 April 2015. The reductions in the corporation tax rates to 21% and 20% were included within the Finance Act that was enacted on 17 July 2013.

As both rates were substantively enacted at the balance sheet date, then deferred tax should be calculated at the hybrid rate of 21.5%, for timing differences reversing in the accounting period ended 31 December 2014; 20.25% for timing differences reversing in the accounting period ended 31 December 2015; and 20% for timing differences reversing in the accounting period ended 31 December 2016 onwards.

However, as the impact on the reversal of the deferred tax (asset)/ liability is not material, all timing differences at the balance sheet date have been calculated at 20%.

### (d) Deferred tax

The deferred tax (asset)/ liability included in the balance sheet is as follows:

|                                      | <i>Group</i>   |                | <i>Company</i> |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | <i>2013</i>    | <i>2012</i>    | <i>2013</i>    | <i>2012</i>    |
|                                      | <i>£000</i>    | <i>£000</i>    | <i>£000</i>    | <i>£000</i>    |
| Accelerated capital allowances       | 16             | 317            | 178            | 454            |
| Other timing differences             | (75)           | (165)          | (67)           | (164)          |
|                                      | <u>(59)</u>    | <u>152</u>     | <u>111</u>     | <u>290</u>     |
|                                      | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> |
|                                      |                |                | <i>Group</i>   | <i>Company</i> |
|                                      |                |                | <i>£000</i>    | <i>£000</i>    |
| At 1 January 2013                    |                |                | 152            | 290            |
| Credit for year                      |                |                | (226)          | (193)          |
| Adjustment in respect of prior years |                |                | 15             | 14             |
| At 31 December 2013                  |                |                | <u>(59)</u>    | <u>111</u>     |
|                                      |                |                | <u><u></u></u> | <u><u></u></u> |

All the deferred tax balances above are stated at 20% (2012 – 23%).

# Notes to the financial statements

at 31 December 2013

## 9. Intangible fixed assets

|                          | <i>Group<br/>goodwill<br/>£000</i> | <i>Company<br/>goodwill<br/>£000</i> |
|--------------------------|------------------------------------|--------------------------------------|
| Cost:                    |                                    |                                      |
| At 1 January 2013        | 9,115                              | 8,624                                |
| Additions                | 30                                 | 30                                   |
| At 31 December 2013      | 9,145                              | 8,654                                |
| Amortisation:            |                                    |                                      |
| At 1 January 2013        | 3,286                              | 2,798                                |
| Provided during the year | 564                                | 544                                  |
| At 31 December 2013      | 3,850                              | 3,342                                |
| Net book value:          |                                    |                                      |
| At 31 December 2013      | 5,295                              | 5,312                                |
| At 1 January 2013        | 5,829                              | 5,826                                |

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

## 10. Tangible fixed assets

| <i>Group</i>             | <i>Freehold<br/>land and<br/>buildings<br/>£000</i> | <i>Buildings<br/>on leasehold<br/>land<br/>£000</i> | <i>Machinery<br/>and<br/>equipment<br/>£000</i> | <i>Motor<br/>vehicles<br/>£000</i> | <i>Total<br/>£000</i> |
|--------------------------|---|---|---|------------------------------------|-----------------------|
| Cost:                    |   |   |   |                                    |                       |
| At 1 January 2013        | 6,005   | 1,099   | 77,446  | 1,963                              | 86,513                |
| Additions                | 72  | -   | 3,869   | 172                                | 4,113                 |
| Disposals                | -   | -   | -   | (40)                               | (40)                  |
| At 31 December 2013      | 6,077   | 1,099   | 81,315  | 2,095                              | 90,586                |
| Depreciation             |   |   |   |                                    |                       |
| At 1 January 2013        | 2,490   | 1,099   | 58,821  | 1,482                              | 63,892                |
| Provided during the year | 266   | -   | 5,209   | 324                                | 5,799                 |
| Disposals                | -   | -   | -   | (33)                               | (33)                  |
| At 31 December 2013      | 2,756   | 1,099   | 64,030  | 1,773                              | 69,658                |
| Net book value:          |   |   |   |                                    |                       |
| At 31 December 2013      | 3,321   | -   | 17,285  | 322                                | 20,928                |
| At 1 January 2013        | 3,515   | -   | 18,625  | 481                                | 22,621                |

The net book value of machinery and equipment and motor vehicles includes £696,000 (2012 - £838,000) and £275,000 (2012 - £356,000) respectively relating to assets held under finance leases and hire purchase contracts.

## Notes to the financial statements

at 31 December 2013

### 10. Tangible assets (continued)

*Company*

|                          | <i>Freehold<br/>land and<br/>buildings<br/>£000</i> | <i>Buildings<br/>on leasehold<br/>land<br/>£000</i> | <i>Machinery<br/>and<br/>equipment<br/>£000</i> | <i>Motor<br/>vehicles<br/>£000</i> | <i>Total<br/>£000</i> |
|--------------------------|---|---|---|------------------------------------|-----------------------|
| Cost                     |   |   |   |                                    |                       |
| At 1 January 2013        | 3,357   | 1,099   | 67,825  | 1,743                              | 74,024                |
| Additions                | 72  | -   | 3,344   | 164                                | 3,580                 |
| Disposals                | -   | -   | -   | (40)                               | (40)                  |
| At 31 December 2013      | <u>3,429</u>  | <u>1,099</u>  | <u>71,169</u>                                   | <u>1,867</u>                       | <u>77,564</u>         |
| Depreciation             |   |   |   |                                    |                       |
| At 1 January 2013        | 2,358   | 1,099   | 50,824  | 1,367                              | 55,648                |
| Provided during the year | 239   | -   | 4,498   | 281                                | 5,018                 |
| Disposals                | -   | -   | -   | (33)                               | (33)                  |
| At 31 December 2013      | <u>2,597</u>  | <u>1,099</u>  | <u>55,322</u>                                   | <u>1,615</u>                       | <u>60,633</u>         |
| Net Book Value           |   |   |   |                                    |                       |
| At 31 December 2013      | <u>832</u>  | <u>-</u>  | <u>15,847</u>                                   | <u>252</u>                         | <u>16,931</u>         |
| At 1 January 2013        | <u>999</u>  | <u>-</u>  | <u>17,001</u>                                   | <u>376</u>                         | <u>18,376</u>         |

The net book value of machinery and equipment and motor vehicles includes £696,000 (2012 - £838,000) and £250,000 (2012 - £318,000) respectively relating to assets held under finance leases and hire purchase contracts.

## Notes to the financial statements

at 31 December 2013

### 11. Investments

*Company*

|                              | <i>Subsidiary<br/>Undertakings<br/>2013<br/>£000</i> | <i>Subsidiary<br/>Undertakings<br/>2012<br/>£000</i> |
|------------------------------|--|--|
| <i>Cost:</i>                 |  |  |
| At 1 January and 31 December | 6,500  | 6,500  |

*Subsidiary undertakings*

|                               | <i>Class of<br/>shares</i> | <i>Country of<br/>incorporation</i> | <i>Proportion<br/>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% |
| 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

|                    | <i>2013<br/>£000</i> | <i>Group<br/>2012<br/>£000</i> | <i>2013<br/>£000</i> | <i>Company<br/>2012<br/>£000</i> |
|--------------------|----------------------|--------------------------------|----------------------|----------------------------------|
| Materials and feed | 2,046                | 1,691                          | 1,908                | 1,415                            |
| Ongrowing fish     | 58,279               | 55,157                         | 50,252               | 49,567                           |
|                    | <u>60,325</u>        | <u>56,848</u>                  | <u>52,160</u>        | <u>50,982</u>                    |

## Notes to the financial statements

at 31 December 2013

### 13. Debtors

|                                    | <i>Group</i>  |              | <i>Company</i> |              |
|------------------------------------|---------------|--------------|----------------|--------------|
|                                    | <i>2013</i>   | <i>2012</i>  | <i>2013</i>    | <i>2012</i>  |
|                                    | <i>£000</i>   | <i>£000</i>  | <i>£000</i>    | <i>£000</i>  |
| Trade debtors                      | 8,397         | 6,093        | 8,397          | 6,093        |
| Prepayments and accrued income     | 446           | 480          | 418            | 470          |
| Amounts owed by group undertakings | 2,798         | 2,364        | 2,851          | 2,415        |
| Other debtors                      | 1,596         | 552          | 1,399          | 498          |
| Deferred tax asset (note 8d)       | 59            | -            | -              | -            |
|                                    | <u>13,296</u> | <u>9,489</u> | <u>13,065</u>  | <u>9,476</u> |

During the year, a loan of £150,000 was granted to J.F. Gallagher, a director, with interest accruing at 2% per annum. Repayments of £7,750 were made leaving a balance after applying interest of £144,970 at 31 December 2013. The maximum term of the loan is 6 years with an amount of £125,000 being due after one year. The outstanding balance is included within 'Other debtors' above.

### 14. Creditors: amounts falling due within one year

|  | <i>Group</i>  |               | <i>Company</i> |               |
|--|---------------|---------------|----------------|---------------|
|  | <i>2013</i>   | <i>2012</i>   | <i>2013</i>    | <i>2012</i>   |
|  | <i>£000</i>   | <i>£000</i>   | <i>£000</i>    | <i>£000</i>   |
| Bank loans (note 16)   | 3,000         | 3,400         | 3,000          | 3,400         |
| Bank overdraft   | -             | 18,000        | -              | 18,000        |
| Non secured loans  | 563           | 563           | 563            | 563           |
| Trade creditors  | 15,327        | 14,422        | 12,585         | 12,759        |
| Social security  | 509           | 381           | 509            | 381           |
| Corporation tax payable  | 3,144         | 2,114         | 2,564          | 1,466         |
| Dividend payable   | -             | 5,500         | -              | 5,500         |
| Accruals and deferred income   | 2,705         | 2,517         | 2,302          | 1,884         |
| Obligations under finance leases and hire purchase contracts (note 18) | 414           | 451           | 414            | 451           |
| Amounts owed to subsidiary undertakings                                | -             | -             | 6,695          | 6,165         |
|  | <u>25,662</u> | <u>47,348</u> | <u>28,632</u>  | <u>50,569</u> |

The bank loans and overdraft 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

|  | <i>Group</i>  |               | <i>Company</i> |               |
|--|---------------|---------------|----------------|---------------|
|  | <i>2013</i>   | <i>2012</i>   | <i>2013</i>    | <i>2012</i>   |
|  | <i>£000</i>   | <i>£000</i>   | <i>£000</i>    | <i>£000</i>   |
| Bank loans (note 16)   | 25,500        | 16,300        | 25,500         | 16,300        |
| Non secured loans  | 15            | 15            | 15             | 15            |
| Obligations under finance leases and hire purchase contracts (note 18) | 102           | 415           | 102            | 415           |
|  | <u>25,617</u> | <u>16,730</u> | <u>25,617</u>  | <u>16,730</u> |

# Notes to the financial statements

at 31 December 2013

## 16. Bank loans

|  | <i>Group</i>  |               | <i>Company</i> |               |
|--|---------------|---------------|----------------|---------------|
|  | <i>2013</i>   | <i>2012</i>   | <i>2013</i>    | <i>2012</i>   |
|  | <i>£000</i>   | <i>£000</i>   | <i>£000</i>    | <i>£000</i>   |
| Not wholly repayable within five years:                                    |               |               |                |               |
| £24 million bank loan  | -             | 13,200        | -              | 13,200        |
| £8 million bank loan   | -             | 6,500         | -              | 6,500         |
| £30 million bank loan  | 28,500        | -             | 28,500         | -             |
|  | <u>28,500</u> | <u>19,700</u> | <u>28,500</u>  | <u>19,700</u> |
| Less: included in creditors: amounts falling due within one year (note 14) | (3,000)       | (3,400)       | (3,000)        | (3,400)       |
| Amounts falling due after one year (note 15)                               | <u>25,500</u> | <u>16,300</u> | <u>25,500</u>  | <u>16,300</u> |
| Amounts repayable:   |               |               |                |               |
| Within one year  | 3,000         | 3,400         | 3,000          | 3,400         |
| In two to five years   | 12,000        | 13,600        | 12,000         | 13,600        |
| In over five years   | 13,500        | 6,100         | 13,500         | 6,100         |
|  | <u>28,500</u> | <u>23,100</u> | <u>28,500</u>  | <u>23,100</u> |

In April 2013, the £24 million and £8 million bank loans were repaid, and a new loan facility of £30 million was drawn down in a scheduled refinancing. This new loan is repayable in twenty quarterly instalments of £750,000 which commenced in July 2013, with a final payment of £15 million due in 2018.

The bank loans and overdraft 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>2013</i>  | <i>2012</i> | <i>2013</i>    | <i>2012</i> |
|                             | <i>£000</i>  | <i>£000</i> | <i>£000</i>    | <i>£000</i> |
| Deferred government grants: |              |             |                |             |
| At 1 January                | 280          | 527         | 280            | 527         |
| Released in year            | (133)        | (247)       | (133)          | (247)       |
| At 31 December              | <u>147</u>   | <u>280</u>  | <u>147</u>     | <u>280</u>  |

# Notes to the financial statements

at 31 December 2013

## 18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

|   | <i>Group</i> |             | <i>Company</i> |             |
|---|--------------|-------------|----------------|-------------|
|   | <i>2013</i>  | <i>2012</i> | <i>2013</i>    | <i>2012</i> |
|   | <i>£000</i>  | <i>£000</i> | <i>£000</i>    | <i>£000</i> |
| Amounts payable:                                  |              |             |                |             |
| Within one year                                   | 459          | 478         | 478            | 478         |
| In two to five years                              | 110          | 440         | 440            | 440         |
|   | <u>569</u>   | <u>918</u>  | <u>569</u>     | <u>918</u>  |
| Less: finance charges allocated to future periods | (53)         | (52)        | (53)           | (52)        |
|   | <u>516</u>   | <u>866</u>  | <u>516</u>     | <u>866</u>  |

Finance leases and hire purchase contracts are analysed as follows:

|                                   | <i>Group</i> |             | <i>Company</i> |             |
|-----------------------------------|--------------|-------------|----------------|-------------|
|                                   | <i>2013</i>  | <i>2012</i> | <i>2013</i>    | <i>2012</i> |
|                                   | <i>£000</i>  | <i>£000</i> | <i>£000</i>    | <i>£000</i> |
| Current obligations (note 14)     | 414          | 451         | 414            | 451         |
| Non-current obligations (note 15) | 102          | 415         | 102            | 415         |
|                                   | <u>516</u>   | <u>866</u>  | <u>516</u>     | <u>866</u>  |

## 19. Called up share capital

|                            | <i>Authorised</i> |             | <i>Allotted, called up<br/>and fully paid</i> |             |
|----------------------------|-------------------|-------------|---|-------------|
|                            | <i>2013</i>       | <i>2012</i> | <i>2013</i>                                   | <i>2012</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 2013   | 9,547         | 2,561          |
| Profit for the year    | 16,952        | 14,982         |
| As at 31 December 2013 | <u>26,499</u> | <u>17,543</u>  |

The company has not presented its own profit and loss account for the year ended 31 December 2013. Of the group profit for the financial year, a profit of £14,982,000 (2012 – £1,779,000) has been dealt with in the financial statements of the company.



## Notes to the financial statements

at 31 December 2013

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

|                     | <i>Share<br/>capital<br/>£000</i> | <i>Share<br/>premium<br/>£000</i> | <i>Profit and<br/>loss account<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|-----------------------------------|-----------------------------------|---|-----------------------|
| <i>Group</i>        |                                   |                                   |   |                       |
| At 1 January 2012   | 21,400                            | 1,600                             | 6,172                                       | 29,172                |
| Profit for the year | -                                 | -                                 | 3,375                                       | 3,375                 |
| At 1 January 2013   | 21,400                            | 1,600                             | 9,547                                       | 32,547                |
| Profit for the year | -                                 | -                                 | 16,952                                      | 16,952                |
| At 31 December 2013 | 21,400                            | 1,600                             | 26,499                                      | 49,499                |

No equity dividend was paid in the year (2012 - nil).

|                     | <i>Share<br/>capital<br/>£000</i> | <i>Share<br/>premium<br/>£000</i> | <i>Profit and<br/>loss account<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|-----------------------------------|-----------------------------------|---|-----------------------|
| <i>Company</i>      |                                   |                                   |   |                       |
| At 1 January 2012   | 21,400                            | 1,600                             | 782   | 23,782                |
| Profit for the year | -                                 | -                                 | 1,779                                       | 1,779                 |
| At 1 January 2013   | 21,400                            | 1,600                             | 2,561                                       | 25,561                |
| Profit for the year | -                                 | -                                 | 14,982                                      | 14,982                |
| At 31 December 2013 | 21,400                            | 1,600                             | 17,543                                      | 40,543                |

No equity dividend was paid in the year (2012 - nil).

### 22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £889,000 (2012 - £534,000) for the group and the company.

## Notes to the financial statements

at 31 December 2013

### 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 2013. The valuation is based on projecting forward the 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 2013.

The contributions made by the employer over the financial year have been £ nil (2012: £ nil). The company does not expect to contribute to the pension scheme in 2014. In addition, all costs of administration are paid by the company.

The assets and liabilities of the scheme at 31 December 2013 are:

#### *Scheme assets at fair value:*

|   | 2013<br>£000 | 2012<br>£000 |
|---|--------------|--------------|
| Corporate Bonds                                   | 5,432        | 5,225        |
| Government Bonds                                  | 5,095        | 5,264        |
| Cash  | 3            | 9            |
| Fair value of scheme assets                       | 10,530       | 10,498       |
| Present value of scheme liabilities               | (9,627)      | (9,355)      |
| Defined benefit pension scheme surplus/ (deficit) | 903          | 1,143        |
| Effect of asset limitation                        | (903)        | (1,143)      |
| Net pension surplus on the balance sheet          | -            | -            |

The net surplus of £903,000 at 31 December 2013 (2012:£1,143,000) has not been incorporated into the financial statements as Scottish Sea Farms Limited, 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 2013 relates wholly to corporate bonds, government bonds and cash.

# Notes to the financial statements

at 31 December 2013

## 23. Pension scheme (continued)

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

### Change in benefit obligation:

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Benefit obligation at beginning of the year          | 9,355        | 7,985        |
| Interest cost  | 420          | 372          |
| Benefits paid  | (65)         | (129)        |
| Actuarial (gains) / losses                           | (83)         | 1,127        |
| Benefit obligation at 31 December                    | 9,627        | 9,355        |
|  | £000         | £000         |
| Fair value of scheme assets at beginning of the year | 10,498       | 10,047       |
| Expected return on scheme assets                     | 356          | 379          |
| Contributions by employer                            | -            | -            |
| Benefits paid  | (65)         | (129)        |
| Actuarial (losses) / gains                           | (259)        | 201          |
| Fair value of scheme assets at 31 December           | 10,530       | 10,498       |
| 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

|  | 2013<br>£000 | 2012<br>£000 |
|--|--------------|--------------|
| Current service cost                     | -            | -            |
| Expected return on pension scheme assets | (356)        | (379)        |
| Interest on pension obligation           | 420          | 372          |
| Net expense/(income)                     | 64           | (7)          |

# Notes to the financial statements

at 31 December 2013

## 23. Pension scheme (continued)

### Taken to the statement of total recognised gains and losses

|   | 2013<br>£000 | 2012<br>£000 |
|---|--------------|--------------|
| Actual return less expected return on scheme assets                                     | (259)        | 201          |
| Changes in assumptions underlying the present value of the scheme liabilities           | 83           | (1,127)      |
| Actuarial (loss)/ gain recognised in the statement of total recognised gains and losses | (176)        | (926)        |
| Effect of asset limitation under paragraph 41 of FRS 17                                 | 176          | 926          |
| Total amount recognised in the statement of total recognised gains and losses           | -            | -            |

The cumulative amount recognised in the statement of total recognised gains and losses is (£1,723k)

### Main assumptions:

|   |       |       |
|---|-------|-------|
| Rate of increase in deferred pensions accrued pre 1 March 2002  | 3.70% | 3.60% |
| Rate of increase in deferred pensions accrued post 1 March 2002 | 3.30% | 2.90% |
| Rate of increase in pensions in deferment                       | 2.60% | 2.50% |
| Discount rate   | 4.70% | 4.50% |
| Inflation assumption - RPI                                      | 3.40% | 3.00% |
| Inflation assumption - CPI                                      | 2.60% | 2.50% |

### Expected rates of return on scheme assets:

|                  |       |       |
|------------------|-------|-------|
| Corporate Bonds  | 4.40% | 4.10% |
| Government Bonds | 3.60% | 2.70% |
| 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 2013.

**Expected return on corporate bonds:** In line with the yield on over 15 year AA corporate bonds as at 31 December 2013.

**Expected return on cash:** In line with the Bank of England base rate at 31 December 2013.

The actual return on scheme assets during 2013 was £97,000 (2012: £580,000).

# Notes to the financial statements

at 31 December 2013

## 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 base table assumption has been adopted as was used for the funding valuation at 28 February 2011 i.e. the S1NA tables with a 20% uplift to the base  $q_x$  rates. The future improvements assumption has been updated to be in line with the CMI\_2009 projection model with 1.25% per annum long term rate of improvement. These tables correspond to life expectancies from age 65 as follows:

|                          | Male | Female |
|--------------------------|------|--------|
| Member currently aged 65 | 20.9 | 23.1   |
| Member currently aged 45 | 22.7 | 25.1   |

The pre-retirement mortality assumption is the same as that which was adopted for the most recent actuarial valuation, i.e. the A92 tables with a -2 year age rating.

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 (2012: 25%)

### Five year history

|  | 2009<br>£000 | 2010<br>£000 | 2011<br>£000 | 2012<br>£000 | 2013<br>£000 |
|--|--------------|--------------|--------------|--------------|--------------|
| Fair value of scheme assets                                    | 6,349        | 7,770        | 10,047       | 10,498       | 10,530       |
| Present value of defined benefit obligation (7,023)            | (7,023)      | (7,754)      | (7,985)      | (9,355)      | (9,627)      |
| (Deficit)/surplus in the scheme                                | (674)        | 16           | 2,062        | 1,143        | 903          |
| Difference between actual and expected return on scheme assets | 926          | 420          | 1,338        | 201          | (259)        |
| <b>Experience gains and (losses) on scheme liabilities</b>     | (38)         | (76)         | 377          | -            | -            |

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2013 amounted to £nil. The contributions paid to this scheme in the year were £238,000.

## Notes to the financial statements

at 31 December 2013

### 24. Other financial commitments

As at 31 December 2013 the group had annual commitments under non-cancellable operating leases as set out below:

|                                | 2013              | 2012              |
|--------------------------------|-------------------|-------------------|
|                                | £000              | £000              |
| Operating leases which expire: |                   |                   |
| Within one year                | 3,589             | 1,989             |
|                                | <u>          </u> | <u>          </u> |

### 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:

|                                     | 2013              | 2012              |
|-------------------------------------|-------------------|-------------------|
|                                     | £000              | £000              |
| Sales to associated company         | 28,573            | 25,177            |
|                                     | <u>          </u> | <u>          </u> |
| Purchases from associated companies | 3,597             | 444               |
|                                     | <u>          </u> | <u>          </u> |

At the balance sheet date the amount due from Hallvard Leroy AS was £2,798,000 (2012 - £2,364,000).

- 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.