Scottish Sea Farms Limited

Report and Financial Statements

31 December 2002

Registered No: 958001

Directors
Ole-Eirik Leroy
Leif-Inge Nordhammer
Helge Singlestad
Gustave Witzoe
J F Gallagher

Secretary
J F Gallagher

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

Bankers
Den Norske Bank ASA
20 St Dunston's Hill
London
EC3R 8HY

Solicitors
McClure Naismith
192 St Vincent Street
Glasgow
G2 5TQ

Registered Office
c/o McClure Naismith
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

Directors' Report

The directors present their report and financial statements for the group for the year ended 31 December 2002.

Results and dividends

The loss for the year after taxation amounts to £1,245,000 and is dealt with as shown in the consolidated profit and loss account. No dividend is proposed.

Principal activity and review of the business

During the year the activities of the group consisted of the farming and sale of salmon.

Management's focus for the year was to provide stability and identify areas within our operations which could be improved and make the necessary changes to deliver sustainable and consistent performance to the group result.

We are seeing the benefits from these changes with improvements in efficiencies and improved margins which we believe will continue into 2003. Further initiatives will be made to sustain and improve these results in 2003.

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 hard work and dedication through the year.

The business continues with the belief that the environment in which we operate needs to be protected and enhanced and to this aim we had identified targets and objectives for continuous improvement within 2002. We delivered on these objectives and targets when audited within the year with our ISO 14001 accreditation being upheld.

During the year David Rackham, left the company. In his capacity as a director of the company for many years he made a considerable contribution to the business. We thank him for that and wish him well in the future.

Directors

The directors during the year were those listed on page 1 except J F Gallagher who was appointed a director on 15 January 2002. In addition, D R Rackham served as a director until his resignation on 6 June 2002.

Directors' interests

No director had any interest in the share capital of the company or its subsidiaries throughout the year.

Disabled employees

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

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 2002, the company had an average of 44 days purchases outstanding in trade creditors.

Auditors

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed to dispense with the obligation to appoint auditors annually.

On behalf of the Board

Jim F Gallagher

J F Gallagher
Secretary

11 February 2003

ERNST & YOUNG

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent Auditors' Report

to the members of Scottish Sea Farms Limited

We have audited the group's financial statements for the year ended 31 December 2002 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Balance Sheet, and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ERNST & YOUNG

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

11 February 2003

Group Profit and Loss Account

For the year ended 31 December 2002

	Note	2002 £000	2001 £000
Turnover	3	46,429	45,772
Cost of sales		(40,435)	(41,315)
Gross profit		5,994	4,457
Distribution costs		(3,385)	(4,858)
Administrative expenses		(1,464)	(1,626)
		(4,849)	(6,484)
Group operating profit(loss)	4	1,145	(2,027)
Interest payable	7	(2,390)	(2,627)
Loss on ordinary activities before taxation		(1,245)	(4,654)
Tax on loss on ordinary activities	8(a)	-	536
Loss for the financial year	20 & 21	(1,245)	(4,118)

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Group Statement of Recognised Gains and Losses

For the year ended 31 December 2002

There are no recognised gains or losses attributable to shareholders of the group other than the loss after taxation of £1,245,000 in the year ended 31 December 2002 and the loss of £4,118,000 in the year ended 31 December 2001.

Group Balance Sheet

at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Intangible assets	9	356	424
Tangible assets	10	7,795	7,967
		8,151	8,391
Current assets			
Stocks	12	29,891	25,470
Debtors	13	8,443	9,655
Cash at bank and in hand		23	156
		38,357	35,281
Creditors: amounts falling due within one year	14	(30,176)	(23,475)
Net current assets		8,181	11,806
Total assets less current liabilities		16,332	20,197
Creditors: amounts falling due after more than one year	15	22,205	24,875
Accruals and deferred income	17	139	89
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	(29,012)	(27,767)
Equity shareholders' funds		(6,012)	(4,767)
		16,332	20,197

Jim F Gallagher

J F Gallagher
Director

11 February 2003

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Balance Sheet

at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Intangible assets	9	300	360
Tangible assets	10	6,428	6,479
Investments	11	1,581	1,581
		8,309	8,420
Current assets			
Stocks	12	24,949	21,979
Debtors	13	19,195	19,469
Cash at bank and in hand		23	157
		44,167	41,605
Creditors: amounts falling due within one year	14	(28,867)	(22,285)
Net current assets		15,300	19,320
Total assets less current liabilities		23,609	27,740
Creditors: amounts falling due after more than one year	15	22,205	24,875
Accruals and deferred income	17	139	89
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	(21,735)	(20,224)
Equity shareholders' funds		1,265	2,776
		23,609	27,740

Jim F Gallagher

J F Gallagher
Director

11 February 2003

Notes to the Financial Statements

at 31 December 2002

1. Fundamental accounting concept

At the balance sheet date the group had an excess of liabilities over assets of £6,012,000. The group depends upon continued financial support from its parent undertaking to meet its liabilities as they fall due.

The directors have received confirmation of continued support from its parent undertaking that necessary facilities will be put in place to ensure that the group meets its liabilities as they fall due.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. Should continuing finance not be available, adjustments would be required to reduce the carrying value of assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

2. Accounting policies

Basis of preparation and change in accounting policy

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the group has adopted FRS 18 'Accounting Policies', FRS 19 'Deferred Tax', and the transitional arrangements of FRS 17 'Retirement Benefits'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax.

Adoption of FRS 18 has not required any revisions to the financial statements in either the current or prior years.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2002.

No profit and loss account is presented for Scottish Sea Farms Limited as permitted by Section 230 of the Companies Act 1985.

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	-	2.5 - 15 years
Motor vehicles	-	3 - 4 years

At the beginning of the year, the group decided to reassess the estimated useful lives of certain groups of tangible fixed assets. This resulted in a decrease of approximately £872,000 in the depreciation charge for the year of which approximately £298,000 was recognised as a credit to the profit and loss account.

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.

Notes to the Financial Statements

at 31 December 2002

2. Accounting policies (continued)

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 years. 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 ongrown 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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Government grants

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

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

Leasing and hire purchase commitments

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

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

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

Pensions

The expected cost of pensions in respect of the group's defined benefit pension scheme in which the company's employees participate is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in 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 2002

2. Accounting policies (continued)

Cash flow statement

No cash flow statement has been prepared for the group in accordance with the exemption for subsidiary undertakings where consolidated financial statements which include the subsidiary are publicly available.

3. 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 of salmon.

A geographical analysis is as follows:

	2002	*2001*
	£000	*£000*
United Kingdom	27,138	23,937
Other European countries	13,684	15,269
North America	4,893	5,954
Far East	15	99
Other	699	513
	46,429	45,772

4. Group operating profit/(loss)

This is stated after charging/(crediting):

	2002	*2001*
	£000	*£000*
Directors' remuneration	183	137
Auditors' remuneration		
- audit services	28	34
- *non audit services*	*11*	*63*
Depreciation of owned assets	1,876	2,965
Hire of plant and equipment	2,048	2,397
Government grants released	(16)	(24)
Amortisation of goodwill	68	68
Exchange losses	26	17

5. Directors' remuneration

	2002	*2001*
	£000	*£000*
Emoluments	183	137
	No	*No*
Members of defined benefit pension schemes	2	1
	£000	*£000*
Compensation for loss of office	91	-

Notes to the Financial Statements

at 31 December 2002

6. Staff costs

	2002	2001
	£000	£000
Wages and salaries	5,260	5,412
Social security costs	413	386
Other pension costs	253	365
	5,926	6,163

The average number of persons employed by the group, including directors, during the year was 284 (2001: 297).

7. Interest payable

	2002	2001
	£000	£000
Loan interest paid to former group undertakings	-	1,780
Interest paid to former group undertakings	-	64
Bank loan interest	1,487	578
Bank overdraft interest	903	205
	2,390	2,627

8. Taxation

(a) Tax on loss on ordinary activities

Group

The tax credit is made up as follows:

	2002	2001
	£000	£000
UK corporation tax:		
Adjustments relating to prior years - group relief	-	(536)

(b) Factors affecting the current tax charge

Group

	2002	2001
	£000	£000
Loss on ordinary activities before tax	(1,245)	(4,654)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(374)	(1,396)
Effect of:		
Disallowed expenses and non-taxable income	47	53
Fixed asset timing differences	(202)	92
Other timing differences	(6)	(43)
Adjustments in respect of previous years	-	(536)
Tax losses	535	1,294
	-	(536)

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Notes to the Financial Statements

at 31 December 2002

8. *Taxation* (continued)

(c) Factors that may affect future tax charges

The group has tax losses of approximately £8,546,000 (2001: £6,900,000) which are available indefinitely for offset against future taxable profits. The deferred tax asset (note 8 (d)) of £3,210,000 has not been recognised in accordance with the group's accounting policy.

(d) Deferred tax

As stated in (c) above, no deferred tax has been incorporated in the financial statements. The unprovided deferred tax asset is made up of the following:

		Group		*Company*
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	(573)	(630)	(644)	(627)
Other timing differences	(73)	(65)	(73)	(65)
Tax losses	(2,564)	(2,075)	(1,705)	(1,206)
	(3,210)	(2,770)	(2,422)	(1,898)

9. Intangible fixed assets

	Group goodwill	*Company goodwill*
	£000	*£000*
Cost:		
At 1 January 2002 and at 31 December 2002	680	600
Amortisation:		
At 1 January 2002	256	240
Addition for year	68	60
At 31 December 2002	324	300
Net book value:		
At 31 December 2002	356	300
At 1 January 2002	424	360

Goodwill is being written off in equal annual instalments over its estimated economic life of 10 years.

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Notes to the Financial Statements

at 31 December 2002

10. Tangible assets

Group

	At 1 January 2002 £000	*Additions and reclassifications £000*	*Disposals and transfers £000*	*At 31 December 2002 £000*
At cost:				
Freehold land and buildings	1,745	62	(5)	1,802
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	32,043	1,569	(189)	33,423
Motor vehicles	91	80	-	171
	34,978	1,711	(194)	36,495
Depreciation:				
Freehold land and buildings	894	61	(5)	950
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	24,939	1,812	(182)	26,569
Motor vehicles	79	3	-	82
	27,011	1,876	(187)	28,700
Net book value	7,967			7,795

The net book value of motor vehicles includes £80,000 (2001: £Nil) relating to assets held under finance leases and hire purchase contracts.

Notes to the Financial Statements

at 31 December 2002

10. Tangible assets (continued)

Company

	At 1 January 2002 £000	*Additions and reclassifications £000*	*Disposals and transfers £000*	*At 31 December 2002 £000*
At cost:				
Freehold land and buildings	1,662	61	(5)	1,718
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	26,393	1,497	(154)	27,736
Motor vehicles	85	80	-	165
	29,239	1,638	(159)	30,718
Depreciation:				
Freehold land and buildings	870	61	(5)	926
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	20,719	1,618	(148)	22,189
Motor vehicles	72	4	-	76
	22,760	1,683	(153)	24,290
Net book value	6,479			6,428

The net book value of motor vehicles includes £80,000 (2001: £Nil) relating to assets held under finance leases and hire purchase contracts.

11. Investments

Company

	2002 £000	*2001 £000*
At 1 January and at 31 December	1,581	1,581

Subsidiary undertakings

	Class of shares	*Country of incorporation*	*Proportion held*
Kerrera Fisheries Limited	Ordinary £1	Scotland	100%
GSP Farms Limited	Ordinary £1	Scotland	100%
Seafresh Farms Limited	Ordinary £1	Scotland	100%
Seafresh Salmon Limited	Ordinary £1	Scotland	100%
Lismore Salmon Limited	Ordinary £1	Scotland	100%
Scottish Sea Farms Sales Limited	Ordinary £1	Scotland	100%
Stewart Salmon Limited*	Ordinary £1	Scotland	100%
Slett Salmon Farms Limited*	Ordinary £1	Scotland	100%

* Held by a subsidiary undertaking

All of the above companies are dormant except for Kerrera Fisheries Limited whose principal activity is the farming and sale of salmon.

Notes to the Financial Statements

at 31 December 2002

12. Stocks

		Group		Company
	2002	2001	2002	2001
	£000	£000	£000	£000
Materials and feed	1,806	1,823	1,436	1,431
Ongrowing fish	28,085	23,647	23,513	20,548
	29,891	25,470	24,949	21,979

13. Debtors

		Group		Company
	2002	2001	2002	2001
	£000	£000	£000	£000
Trade debtors	4,074	8,391	4,075	8,391
Prepayments and accrued income	1,445	633	1,410	618
Amounts owed by group undertakings	2,551	234	13,362	10,075
Other debtors	373	397	348	385
	8,443	9,655	19,195	19,469

Included within amounts owed by group undertakings for the 'company' is an amount of £3,000,000 which is due after one year.

14. Trade and other creditors

		Group		Company
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank loans (note 16)	2,700	1,700	2,700	1,700
Bank overdraft	16,105	10,403	16,105	10,403
Trade creditors	6,969	8,289	6,073	7,568
Social security	141	133	141	133
Accruals and deferred income	4,247	2,950	3,834	2,481
Obligations under finance leases and hire purchase contracts (note 18)	14	-	14	-
	30,176	23,475	28,867	22,285

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

Notes to the Financial Statements

at 31 December 2002

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

	Group		Company	
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Bank loans (note 16)	22,175	24,875	22,175	24,875
Obligations under finance leases and hire purchase contracts (note 18)	30	-	30	-
	22,205	24,875	22,205	24,875

16. Bank loans

	Group		Company	
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Not wholly repayable within five years:				
£10 million bank loan at LIBOR plus 1.25% per annum, repayable in twenty quarterly instalments of £500,000 commencing August 2003	10,000	10,000	10,000	10,000
Wholly repayable within five years:				
£17million bank loan	14,875	16,575	14,875	16,575
	24,875	26,575	24,875	26,575
Less: included in creditors: amounts falling due within one year (note 14)	2,700	1,700	2,700	1,700
Amounts falling due after one year (note 15)	22,175	24,875	22,175	24,875
Amounts repayable:				
In one year or less	2,700	1,700	2,700	1,700
In more than one year but not more than two years	3,700	2,700	3,700	2,700
In more than two years but not more than five years	17,475	19,175	17,475	19,175
	23,875	23,575	23,875	23,575
In more than five years	1,000	3,000	1,000	3,000
	24,875	26,575	24,875	26,575

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.

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Notes to the Financial Statements

at 31 December 2002

17. Accruals and deferred income

		Group		*Company*
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Deferred government grants:				
At 1 January	89	64	89	64
Received in year	66	49	66	49
Released in year	(16)	(24)	(16)	(24)
At 31 December	139	89	139	89

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

		Group		*Company*
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Amounts payable:				
Within one year	17	-	17	-
In two to five years	34	-	34	-
	51	-	51	-
Less: finance charges allocated to future periods	(7)	-	(7)	-
	44	-	44	-

Finance leases and hire purchase contracts are analysed as follows:

		Group		*Company*
	2002	*2001*	*2002*	*2001*
	£000	*£000*	*£000*	*£000*
Current obligations (note 14)	14	-	14	-
Non-current obligations (note 15)	30	-	30	-
	44	-	44	-

19. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2002	*2001*	*2002*	*2001*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

Notes to the Financial Statements

at 31 December 2002

20. Profit and loss account

	Group £000	Company £000	Subsidiaries £000
As at 1 January 2002	(27,767)	(20,225)	(7,542)
(Loss)/profit for the year	(1,245)	(1,510)	265
As at 31 December 2002	(29,012)	(21,735)	(7,277)

The company has not presented its own profit and loss account for the year ended 31 December 2002. Of the group loss for the financial year, a loss of £1,510,000 (2001: £3,944,000) has been dealt with in the financial statements of the company.

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 2001	11,500	-	(23,649)	(12,149)
Loss for the year	-	-	(4,118)	(4,118)
Issue of shares	9,900	1,600	-	11,500
At 31 December 2001	21,400	1,600	(27,767)	(4,767)
Loss for the year	-	-	(1,245)	(1,245)
At 31 December 2002	21,400	1,600	(29,012)	(6,012)

Company	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
At 1 January 2001	11,500	-	(16,280)	(4,780)
Loss for the year	-	-	(3,944)	(3,944)
Issue of shares	9,900	1,600	-	11,500
At 31 December 2001	21,400	1,600	(20,224)	2,776
Loss for the year	-	-	(1,510)	(1,510)
At 31 December 2002	21,400	1,600	(21,734)	1,266

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £8,000 (2001: £45,000) for the group and the company.

Notes to the Financial Statements

at 31 December 2002

23. Pension scheme

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Up to 28 February 2002, the company's employees participated in a group-wide pension arrangement, the Norsk Hydro UK 1988 Pension Scheme, which is a funded scheme of the defined benefit type with assets held in trust separately from the company.

Although the scheme is a defined benefit scheme, the company is unable to identify its share of the underlying assets and liabilities, therefore the company has accounted for the contributions to the scheme as if it were a defined contribution scheme.

The company's pension cost for the period to the Norsk Hydro UK Scheme was £53,000 (2001: £365,000 for 12 months).

The company now operates a funded contributory pension scheme, the Scottish Sea Farms Defined Benefit Scheme ("the Scheme"), which commenced on 1 March 2002 for the benefit of its employees. The Scheme provides benefits based on final pensionable salary, with the assets of the Scheme held separately from those of the company.

Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company in accordance with the requirements of the Statement of Standard Accounting Practice No. 24.

The contributions are determined by a qualified actuary and the aim is for benefits to be fully funded during the Scheme members' working lives. The regular pension cost was assessed under the Projected Unit method. The main assumptions are rates of investment return of 7.5% per annum, salary increases of 6% per annum and pension increases in payment of 3% per annum.

The latest actuarial calculations were carried out as at 1 March 2002 to determine the bulk transfer value that was paid from the Norsk Hydro UK 1988 Pension Scheme to the Scheme. At this time, the actuarially assessed value of the Scheme assets would have been £2,307,000, representing 100% of the value of the liabilities.

The company contributed £260,000 to the Scheme in the ten months to 31 December 2002.

The pension cost for the company for the ten months to 31 December 2002 was £264,000. There is a provision of pension costs of £4,000 as at 31 December 2002 arising from the accumulated difference between the contributions paid to the Scheme and the corresponding pension cost.

Notes to the Financial Statements

at 31 December 2002

23. Pension scheme *(continued)*

Transitional FRS17 disclosures

The additional disclosures required by FRS17 during the transition period are detailed below.

The calculations required under FRS17 were undertaken by a qualified independent actuary and were based on the actuarial calculations carried out as at 1 March 2002 to determine the bulk transfer payment that was made from the Norsk Hydro UK 1988 Pension Scheme. The scheme is closed to new pension members which means the current service cost will increase under the projected unit method as the members of the scheme near retirement. The major financial assumptions used by the actuary were:

	31 December 2002	*1 March 2002*
Rate of increase in salaries	2.25%	2.50%
Rates of increase to pensions in payment:		
Pension accrued pre 1 March 2002	3.00%	3.00%
Pension accrued post 1 March 2002	2.25%	2.50%
Discount rate	5.80%	6.00%

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 December 2002	*Value at 31 December 2002*	*Long term rate of return expected at 1 March 2002*	*Value at 1 March 2002*
	%	*£000*	*%*	*£000*
Equities	7.25	1,769	7.00	2,047
Corporate bonds	5.50	317	5.75	361
Other	4.00	43	4.00	Nil
Total market value of assets		2,129		2,408
Present value of scheme liabilities		2,359		1,871
(Deficit)/surplus in the scheme		(230)		537
Related deferred tax asset/(liability)		69		(161)
Net pension (liability)/asset		(161)		376

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Notes to the Financial Statements

at 31 December 2002

23. Pension scheme (continued)

***Transitional FRS17 disclosures** (continued)*

If the above amounts had been recognised in the financial statements, the company's net liabilities and profit and loss reserves at 31 December 2002 would be as follows:

Balance sheet

	31 December 2002 £000
Net liabilities excluding pension liability	(6,012)
Net pension liability	(161)
Net liabilities including pension liability	(6,173)

Reserves

	31 December 2002 £000
Profit and loss reserve excluding pension reserve	(29,012)
Pension reserve	(161)
Profit and loss reserve	(29,173)

Analysis of amount charged to operating profit

	10 months to 31 December 2002 £000
Current service cost	(190)
Past service cost	(4)
Total operating charge	(194)

Analysis of amount credited to other finance income

	10 months to 31 December 2002 £000
Expected return on pension scheme assets	137
Interest on pension scheme liabilities	(93)
Net return	44

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Notes to the Financial Statements

at 31 December 2002

23. Pension scheme (continued)

***Transitional FRS17 disclosures** (continued)*

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	31 December 2002 £000
Actual return less expected return on pension scheme assets	(641)
Experienced (losses) arising on the scheme liabilities	(188)
Changes in assumptions underlying the present value of the scheme liabilities	(48)
Actuarial (loss) recognised in STRGL	(877)

Movements in the surplus during the period

	31 December 2002 £000
Surplus in scheme at the beginning of the period	537
Movements in the year:	
Current service cost	(190)
Contributions	260
Past service cost	(4)
Other financial income	44
Actuarial (loss)	(877)
Deficit in scheme at the end of the year	(230)

History of experience gains and losses

	31 December 2002
Difference between expected and actual return on the scheme assets:	
Amount (£000)	(641)
Percentage of scheme assets	(30%)
Experience (losses) on scheme liabilities:	
Amount (£000)	(188)
Percentage of the present value of scheme liabilities	(8%)
Total amount recognised in statement of total recognised gains and losses:	
Amount (£000)	(877)
Percentage of the present value of scheme liabilities	(37%)

Notes to the Financial Statements

at 31 December 2002

24. Other financial commitments

At 31 December 2002 the group had annual commitments under non-cancellable operating leases as set out below:

Group

		Other
	2002	*2001*
	£000	*£000*
Operating leases which expire:		
Within one year	810	108
In two to five years	793	785
	1,603	893

25. Related parties

i) During the year, the group bought and sold fish in the normal course of business from/to Leroy Hallvard AS, one 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 group companies:

	2002	*2001*
	£000	*£000*
Turnover	9,069	274
Cost of sales	247	-
Administrative expenses	-	117,500

At the balance sheet date the amount due from Leroy Hallvard AS was £2,551,000.

ii) There have been other intra group transactions but these have not been disclosed due to the exemption for 90% subsidiaries 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.