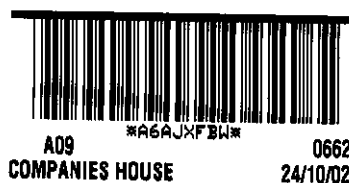


SCOTTISH SEA FARMS LIMITED
(formerly Hydro Seafood GSP Limited)

Report and Accounts
31 December 2001



Registered Number : 958001

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

Company Registration Number : 958001

DIRECTORS

| | |
|----------------------|-----------------------------|
| David Rackham | |
| Ole-Eirik Leroy | (appointed 29 August 2001) |
| Leif-Inge Nordhammer | (appointed 29 August 2001) |
| Helge Singlestad | (appointed 29 August 2001) |
| Gustave Witzoe | (appointed 29 August 2001) |
| Jim Gallagher | (appointed 15 January 2002) |
| Asbjorn Reinkind | (resigned 29 August 2001) |
| John Garrett Speirs | (resigned 29 August 2001) |

SECRETARY

Jim 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

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

DIRECTORS' REPORT

The directors present their report and accounts for the group for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The directors submit the audited accounts of the group for the year ended 31 December 2001. The loss for the year after taxation amounts to £4,117,771 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.

From early in the year the group was up for sale again following the decision by the Department of Trade and Industry regarding the sale of the business to Nutreco. During the May and June period several prospective owners visited the company. Norskott Havbruk AS, being a 50/50 joint venture between SalMar AS and Leroy Seafood Group of Norway, finalised the purchase of the company during August. The business was able to remain focused on the operational issues throughout this period.

The group operated to previously defined strategies and procedures during the period from the beginning of the year to the end of August. The new owners did not make any significant changes to the operation of the business during the latter period of the year and were prepared to take their time to evaluate the business performance before proposing operational changes.

Biological results showed improvement ahead of expectations with improved growth, mortality and lower feed conversions. The good performance helped to improve the confidence and the morale of individuals throughout the group.

Over 4000 tonnes of third party fish were processed in Shetland and on the mainland to improve utilisation of the processing plants and therefore generate extra revenue. Phase one of the upgrading of the South Shian processing operations was completed enabling an increase in single shift processing capacity in time for the high production period of August to December.

The salmon market demand during the year was greatly influenced by the global oversupply situation and the lack of confidence in the market post September 11th. The prices fell in November to levels not seen before in the market.

Over 50% of sales were to the UK market with France and the USA taking some 30% of the production. Production was weighted towards the end of the year when the price dropped significantly. Large volumes of larger fish during the latter part of the year reflected the good growth performance but the price suffered as a result.

It became clear during the year that the compensation claim against the Scottish Executive was going to be difficult to resolve to the group's benefit and the likelihood is that the group will not continue with the legal action.

DIRECTORS

David Rackham was a director for the whole year under review. Asbjorn Reinkind and John Speirs resigned as directors on 29 August 2001. On the same day, Ole-Eirik Leroy, Leif-Inge Nordhammer, Helge Singlestad and Gustave Witzoe were appointed directors. In addition, Jim Gallagher was appointed a director on 15 January 2002.

DIRECTORS' INTERESTS

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

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

DIRECTORS' REPORT

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.

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

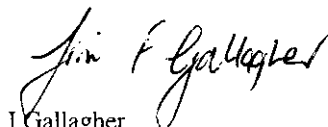
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2001, the company had an average of 64 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.

By order of the board



J Gallagher
Secretary

31 May 2002

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SCOTTISH SEA FARMS LIMITED (formerly Hydro Seafood GSP Limited)**

We have audited the group's financial statements for the year ended 31 December 2001 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, and the related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

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.

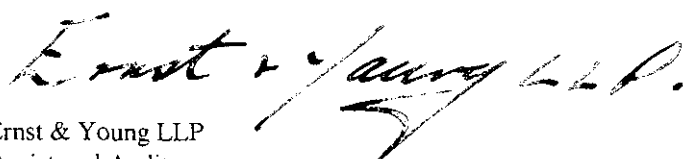
Basis of audit opinion

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 judgments 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.

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 2001 and of its loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Glasgow

31 May 2002

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|--|---------|---------------------------|---------------------------|
| TURNOVER | 3 | 45,772,391 | 37,859,452 |
| Cost of sales | | (41,315,044) | (32,752,725) |
| GROSS PROFIT | | <u>4,457,347</u> | <u>5,106,727</u> |
| Distribution costs | | (4,857,907) | (3,264,784) |
| Administrative expenses | | (1,626,141) | (1,628,133) |
| | | <u>(6,484,048)</u> | <u>(4,892,917)</u> |
| GROUP OPERATING (LOSS)/PROFIT | 4 | <u>(2,026,701)</u> | <u>213,810</u> |
| Interest receivable | 7 | - | 39,398 |
| Interest payable | 8 | (2,626,891) | (2,831,835) |
| | | <u>(2,626,891)</u> | <u>(2,792,437)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>(4,653,592)</u> | <u>(2,578,627)</u> |
| Tax on loss on ordinary activities | 9 | 535,821 | - |
| LOSS FOR THE FINANCIAL YEAR | 21 & 22 | <u><u>(4,117,771)</u></u> | <u><u>(2,578,627)</u></u> |

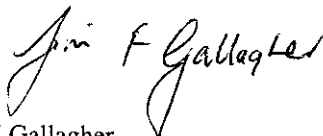
STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2001

There are no recognised gains or losses attributable to shareholders of the group other than the loss after taxation of £4,117,771 in the year ended 31 December 2001 and the loss of £2,578,627 in the year ended 31 December 2000.

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

GROUP BALANCE SHEET
at 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|---|---------|--------------------|---------------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 424,000 | 492,000 |
| Tangible assets | 11 | 7,967,474 | 7,028,521 |
| | | <u>8,391,474</u> | <u>7,520,521</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 25,469,991 | 26,084,939 |
| Debtors | 14 | 9,654,854 | 9,854,402 |
| Cash at bank and in hand | | 156,520 | 19,179 |
| | | <u>35,281,365</u> | <u>35,958,520</u> |
| CREDITORS - amounts falling due within one year | 15 | (23,475,404) | (55,583,163) |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>11,805,961</u> | <u>(19,624,643)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>20,197,435</u> | <u>(12,104,122)</u> |
| CREDITORS - amounts falling due after more than one year | | | |
| | 16 | 24,875,000 | - |
| ACCRUALS AND DEFERRED INCOME | 18 | 89,246 | 44,918 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 20 & 22 | 21,400,000 | 11,500,000 |
| Share premium account | 22 | 1,600,000 | - |
| Profit and loss account | 21 & 22 | (27,766,811) | (23,649,040) |
| EQUITY SHAREHOLDERS' FUNDS | | <u>(4,766,811)</u> | <u>(12,149,040)</u> |
| | | <u>20,197,435</u> | <u>(12,104,122)</u> |



J Gallagher
Director

31 May 2002

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

BALANCE SHEET
at 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|---|---------|-------------------|---------------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 360,000 | 420,000 |
| Tangible assets | 11 | 6,478,772 | 5,848,871 |
| Investments | 12 | 1,581,002 | 1,581,002 |
| | | <u>8,419,774</u> | <u>7,849,873</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 21,979,083 | 23,307,336 |
| Debtors | 14 | 19,469,344 | 19,004,027 |
| Cash at bank and in hand | | 156,520 | 19,179 |
| | | <u>41,604,947</u> | <u>42,330,542</u> |
| CREDITORS - amounts falling due within one year | 15 | (22,284,981) | (54,915,986) |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>19,319,966</u> | <u>(12,585,444)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>27,739,740</u> | <u>(4,735,571)</u> |
| CREDITORS - amounts falling due after more than one year | 16 | 24,875,000 | - |
| ACCRUALS AND DEFERRED INCOME | 18 | 89,246 | 44,918 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 20 & 22 | 21,400,000 | 11,500,000 |
| Share premium account | 22 | 1,600,000 | - |
| Profit and loss account | 21 & 22 | (20,224,506) | (16,280,489) |
| EQUITY SHAREHOLDERS' FUNDS | | <u>2,775,494</u> | <u>(4,780,489)</u> |
| | | <u>27,739,740</u> | <u>(4,735,571)</u> |


J Gallagher
Director

31 May 2002

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

1 FUNDAMENTAL ACCOUNTING CONCEPT

At the balance sheet date the group had an excess of liabilities over assets of £4,766,811. 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 accounts 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

Accounting convention

The accounts are prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiary undertakings for the year ended 31 December 2001.

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 |

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

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business's assets and trade and the fair value of its separable net assets. It has been capitalised and is being written off in equal annual instalments over its expected economic life of 10 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.

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

2 ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

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.

Leased assets

Assets held on finance leases are shown as part of the company's fixed assets.

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. Contributions made by each subsidiary are based on pension cost across the scheme as a whole.

Cash flow statement

No cash flow statement has been prepared for the group in accordance with the exemption for subsidiary undertakings where consolidated accounts 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:

| | 2001 £ | 2000 £ |
|--------------------------|-------------------|-------------------|
| United Kingdom | 23,937,109 | 17,576,424 |
| Other European countries | 15,269,452 | 13,689,427 |
| North America | 5,953,594 | 6,161,705 |
| Far East | 98,996 | 72,870 |
| Other | 513,240 | 359,026 |
| | <u>45,772,391</u> | <u>37,859,452</u> |

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

4 GROUP OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

| | 2001 £ | 2000 £ |
|---|-----------|-----------|
| Directors' remuneration | 137,509 | 50,244 |
| Auditors' remuneration | | |
| - audit services | 34,000 | 33,000 |
| - non audit services | 63,200 | 35,140 |
| Depreciation and write down of owned assets | 2,964,857 | 3,009,087 |
| Hire of plant and equipment | 2,397,009 | 3,068,351 |
| Government grants released | (23,862) | (19,578) |
| Amortisation of goodwill | 68,000 | 68,000 |

5 DIRECTORS' REMUNERATION

| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| Emoluments | 137,509 | 50,244 |
| | No. | No. |
| Members of defined benefit pension schemes | 1 | 1 |

6 STAFF COSTS

| | 2001 £ | 2000 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 5,412,506 | 4,870,067 |
| Social security costs | 385,877 | 354,896 |
| Other pension costs | 364,661 | 258,874 |
| | 6,163,044 | 5,483,837 |

The average number of persons employed by the group, including directors, during the year was 297 (2000 – 307).

7 INTEREST RECEIVABLE AND OTHER INCOME

| | 2001 £ | 2000 £ |
|----------------|-----------|-----------|
| Other interest | - | 39,398 |

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

8 INTEREST PAYABLE

| | 2001 | 2000 |
|---|------------------|------------------|
| | £ | £ |
| Loan interest paid to former group undertakings | 1,780,441 | 748,478 |
| Interest paid to former group undertakings | 64,229 | 2,083,357 |
| Bank loan interest | 577,922 | - |
| Bank overdraft interest | 204,299 | - |
| | <u>2,626,891</u> | <u>2,831,835</u> |

9 TAXATION

| | 2001 | 2000 |
|---|----------------|----------|
| | £ | £ |
| Taxation based on the results for the year comprises: | | |
| UK corporation tax: | | |
| Adjustments relating to prior years – group relief | 535,821 | - |
| | <u>535,821</u> | <u>-</u> |

Tax losses available for carry forward amount to approximately £6,900,000 (2000 - £4,641,000).

10 INTANGIBLE FIXED ASSETS

| | Group Goodwill £ | Company Goodwill £ |
|---|------------------------|--------------------------|
| Cost: | | |
| At 1 January 2001 and at 31 December 2001 | 680,000 | 600,000 |
| Amortisation: | | |
| At 1 January 2001 | 188,000 | 180,000 |
| Addition for year | 68,000 | 60,000 |
| At 31 December 2001 | <u>256,000</u> | <u>240,000</u> |
| Net book value: | | |
| At 31 December 2001 | <u>424,000</u> | <u>360,000</u> |
| At 1 January 2001 | <u>492,000</u> | <u>420,000</u> |

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

11 TANGIBLE ASSETS

| <i>Group</i> | <i>At 1 January 2001 £</i> | <i>Additions and reclassifications £</i> | <i>Disposals and transfers £</i> | <i>At 31 December 2001 £</i> |
|-----------------------------|--|--|--|--|
| Owned | | | | |
| At cost: | | | | |
| Freehold land and buildings | 1,578,185 | 166,743 | - | 1,744,928 |
| Buildings on leasehold land | 1,098,779 | - | - | 1,098,779 |
| Machinery and equipment | 28,157,149 | 3,768,774 | (109,127) | 31,816,796 |
| Motor vehicles | 91,473 | - | - | 91,473 |
| | <u>30,925,586</u> | <u>3,935,517</u> | <u>(109,127)</u> | <u>34,751,976</u> |
| Depreciation: | | | | |
| Freehold land and buildings | 672,566 | 221,196 | - | 893,762 |
| Buildings on leasehold land | 1,018,940 | 79,839 | - | 1,098,779 |
| Machinery and equipment | 22,132,533 | 2,657,732 | (77,420) | 24,712,845 |
| Motor vehicles | 73,026 | 6,090 | - | 79,116 |
| | <u>23,897,065</u> | <u>2,964,857</u> | <u>(77,420)</u> | <u>26,784,502</u> |
| Net book value | <u>7,028,521</u> | | | <u>7,967,474</u> |
| Leased assets | | | | |
| At cost: | | | | |
| Machinery and equipment | 226,415 | - | - | 226,415 |
| Depreciation: | | | | |
| Machinery and equipment | 226,415 | - | - | 226,415 |
| Net book value | <u>-</u> | | | <u>-</u> |
| TOTAL ASSETS | | | | |
| Net book value: | | | | |
| At 31 December 2001 | | | | <u>7,967,474</u> |
| At 1 January 2001 | | | | <u>7,028,521</u> |

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

11 TANGIBLE ASSETS (continued)

| <i>Company</i> | <i>At 1 January 2001 £</i> | <i>Additions and reclassifications £</i> | <i>Disposals and transfers £</i> | <i>At 31 December 2001 £</i> |
|-----------------------------|--|--|--|--|
| Owned | | | | |
| At cost: | | | | |
| Freehold land and buildings | 1,495,024 | 166,743 | - | 1,661,767 |
| Buildings on leasehold land | 1,098,779 | - | - | 1,098,779 |
| Machinery and equipment | 23,071,184 | 3,205,095 | (109,128) | 26,167,151 |
| Motor vehicles | 84,860 | - | - | 84,860 |
| | <u>25,749,847</u> | <u>3,371,838</u> | <u>(109,128)</u> | <u>29,012,557</u> |
| Depreciation: | | | | |
| Freehold land and buildings | 649,045 | 221,134 | - | 870,179 |
| Buildings on leasehold land | 1,018,940 | 79,839 | - | 1,098,779 |
| Machinery and equipment | 18,166,578 | 2,403,166 | (77,420) | 20,492,324 |
| Motor vehicles | 66,413 | 6,090 | - | 72,503 |
| | <u>19,900,976</u> | <u>2,710,229</u> | <u>(77,420)</u> | <u>22,533,785</u> |
| Net book value | <u>5,848,871</u> | | | <u>6,478,772</u> |
| Leased assets | | | | |
| At cost: | | | | |
| Machinery and equipment | 226,415 | - | - | 226,415 |
| Depreciation: | | | | |
| Machinery and equipment | 226,415 | - | - | 226,415 |
| Net book value | <u>-</u> | | | <u>-</u> |
| TOTAL ASSETS | | | | |
| Net book value: | | | | |
| At 31 December 2001 | | | | <u>6,478,772</u> |
| At 1 January 2001 | | | | <u>5,848,871</u> |

Scottish Sea Farms Limited
(formerly Hydro Seafood GSP Limited)

NOTES TO THE ACCOUNTS
at 31 December 2001

12 INVESTMENTS

| | 2001 £ | 2000 £ |
|---------------------------------|-----------|-----------|
| At 1 January and at 31 December | 1,581,002 | 1,581,002 |

Subsidiary undertakings

| | <i>Class of shares</i> | <i>Country of incorporation</i> | <i>Proportion held</i> |
|--|----------------------------|-------------------------------------|----------------------------|
| Kerrera Fisheries Limited | Ordinary £1 | Scotland | 100% |
| GSP Farms Limited (formerly Scottish Sea 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% |
| Hydro Seafood 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

13 STOCKS

| | 2001 £ | Group 2000 £ | 2001 £ | Company 2000 £ |
|--------------------|------------|--------------------|------------|----------------------|
| Materials and feed | 1,823,451 | 1,060,009 | 1,431,449 | 770,548 |
| Ongrowing fish | 23,646,540 | 25,024,930 | 20,547,634 | 22,536,788 |
| | 25,469,991 | 26,084,939 | 21,979,083 | 23,307,336 |

14 DEBTORS

| | 2001 £ | Group 2000 £ | 2001 £ | Company 2000 £ |
|------------------------------------|-----------|--------------------|------------|----------------------|
| Trade debtors | 8,390,990 | 7,384,180 | 8,390,990 | 7,384,180 |
| Prepayments and accrued income | 632,637 | 360,950 | 618,375 | 327,153 |
| Amounts owed by group undertakings | 233,712 | 194,027 | 10,074,900 | 9,737,842 |
| Other debtors | 397,515 | 739,068 | 385,079 | 494,898 |
| Group relief debtor | - | 1,176,177 | - | 1,059,954 |
| | 9,654,854 | 9,854,402 | 19,469,344 | 19,004,027 |

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

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15 TRADE AND OTHER CREDITORS

| | 2001 | Group 2000 | 2001 | Company 2000 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Bank loans (see note 17) | 1,700,000 | - | 1,700,000 | - |
| Bank overdraft | 10,403,301 | 167,963 | 10,403,301 | 167,677 |
| Trade creditors | 8,289,276 | 3,874,942 | 7,567,942 | 3,531,693 |
| Social security | 133,355 | 150,459 | 133,355 | 150,459 |
| Accruals and deferred income | 2,949,472 | 3,125,009 | 2,480,383 | 2,861,657 |
| Amounts owed to group undertakings | - | 48,264,790 | - | 48,204,500 |
| | <u>23,475,404</u> | <u>55,583,163</u> | <u>22,284,981</u> | <u>54,915,986</u> |

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

16 CREDITORS: amounts falling due after more than one year

| | 2001 | Group 2000 | 2001 | Company 2000 |
|--------------------------|------------|---------------|------------|-----------------|
| | £ | £ | £ | £ |
| Bank loans (see note 17) | 24,875,000 | - | 24,875,000 | - |

17 BANK LOANS

| | 2001 | Group 2000 | 2001 | Company 2000 |
|--|-------------------|---------------|-------------------|-----------------|
| | £ | £ | £ | £ |
| Not wholly repayable within five years: £10M bank loan at LIBOR, repayable in twenty quarterly instalments of £500,000 commencing August 2003 | 10,000,000 | - | 10,000,000 | - |
| Wholly repayable within five years: £17M bank loan | 16,575,000 | - | 16,575,000 | - |
| | <u>26,575,000</u> | <u>-</u> | <u>26,575,000</u> | <u>-</u> |
| Less: included in creditors: amounts falling due within one year (note 15) | 1,700,000 | - | 1,700,000 | - |
| Amounts falling due after one year (note 16) | <u>24,875,000</u> | <u>-</u> | <u>24,875,000</u> | <u>-</u> |

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17 BANK LOANS (continued)

| | 2001 | Group 2000 | 2001 | Company 2000 |
|---|------------|---------------|------------|-----------------|
| | £ | £ | £ | £ |
| Amounts repayable: | | | | |
| In one year or less | 1,700,000 | - | 1,700,000 | - |
| In more than one year but not more than two years | 2,700,000 | - | 2,700,000 | - |
| In more than two years but not more than five years | 19,175,000 | - | 19,175,000 | - |
| | 23,575,000 | - | 23,575,000 | - |
| In more than five years | 3,000,000 | - | 3,000,000 | - |
| | 26,575,000 | - | 26,575,000 | - |

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 Kerrera Fisheries Limited.

18 ACCRUALS AND DEFERRED INCOME

| | 2001 | Group 2000 | 2001 | Company 2000 |
|-----------------------------|----------|---------------|----------|-----------------|
| | £ | £ | £ | £ |
| Deferred government grants: | | | | |
| At 1 January | 64,496 | 64,496 | 64,496 | 64,496 |
| Received in year | 48,612 | - | 48,612 | - |
| Released in year | (23,862) | (19,578) | (23,862) | (19,578) |
| At 31 December | 89,246 | 44,918 | 89,246 | 44,918 |

19 DEFERRED TAXATION

| | 2001 | 2000 |
|---|-------------|-------------|
| | £ | £ |
| <i>Group and Company</i> | | |
| Capital allowances in advance of depreciation | (630,086) | (650,865) |
| Other timing differences | (65,298) | (106,786) |
| Unutilised tax losses | (2,074,909) | (1,392,590) |
| | (2,770,293) | (2,150,241) |

The above deferred tax asset has not been incorporated in the accounts.

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20 CALLED UP SHARE CAPITAL

| | <i>Authorised</i> | | <i>Allotted, called up and fully paid</i> | |
|----------------------------|-------------------|-------------|---|-------------|
| | <i>2001</i> | <i>2000</i> | <i>2001</i> | <i>2000</i> |
| | <i>No.</i> | <i>No.</i> | <i>£</i> | <i>£</i> |
| Ordinary shares of £1 each | 21,400,000 | 11,500,000 | 21,400,000 | 11,500,000 |

During the year the authorised share capital was increased by the creation of 9,900,000 ordinary shares of £1 each. These shares were allotted by the directors for a total consideration of £11,500,000 to help fund the ongoing operations of the business.

21 PROFIT AND LOSS ACCOUNT

| | <i>Group</i> | <i>Company</i> | <i>Subsidiaries</i> |
|------------------------|--------------|----------------|---------------------|
| | <i>£</i> | <i>£</i> | <i>£</i> |
| As at 1 January 2001 | (23,649,040) | (16,280,489) | (7,368,551) |
| Loss for the year | (4,117,771) | (3,944,017) | (173,754) |
| As at 31 December 2001 | (27,766,811) | (20,224,506) | (7,542,305) |

The company has not presented its own profit and loss account for the year ended 31 December 2001. Of the group loss for the financial year, a loss of £3,944,017 (2000 - £2,598,173) has been dealt with in the accounts of the company.

22 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| <i>Group</i> | <i>Share capital</i> | <i>Share premium</i> | <i>Profit and loss account</i> | <i>Total</i> |
|---------------------|--------------------------|--------------------------|------------------------------------|--------------|
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| At 1 January 2000 | 11,500,000 | - | (21,070,413) | (9,570,413) |
| Loss for the year | - | - | (2,578,627) | (2,578,627) |
| At 31 December 2000 | 11,500,000 | - | (23,649,040) | (12,149,040) |
| Loss for the year | - | - | (4,117,771) | (4,117,771) |
| Issue of shares | 9,900,000 | 1,600,000 | - | 11,500,000 |
| At 31 December 2001 | 21,400,000 | 1,600,000 | (27,766,811) | (4,766,811) |

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NOTES TO THE ACCOUNTS
at 31 December 2001

22 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES
(continued)

| <i>Company</i> | <i>Share capital £</i> | <i>Share premium £</i> | <i>Profit and loss account £</i> | <i>Total £</i> |
|---------------------|--------------------------------|--------------------------------|--|--------------------|
| At 1 January 2000 | 11,500,000 | - | (13,682,316) | (2,182,316) |
| Loss for the year | - | - | (2,598,173) | (2,598,173) |
| At 31 December 2000 | 11,500,000 | - | (16,280,489) | (4,780,489) |
| Loss for the year | - | - | (3,944,017) | (3,944,017) |
| Issue of shares | 9,900,000 | 1,600,000 | - | 11,500,000 |
| At 31 December 2001 | 21,400,000 | 1,600,000 | (20,224,506) | 2,775,494 |

23 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £45,500 (2000 - £232,000) for the group and the company.

24 PENSION SCHEME

The company's employees participate 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.

Contributions to the scheme are made on the advice of the Scheme's consulting actuaries, Bacon & Woodrow. The regular pension cost is assessed on a group-wide basis under the Projected Unit Method. 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 latest information shows the group scheme is based on an actuarial valuation as at 31 March 1999 and the most significant assumptions were:

| | |
|------------------------------|-------------------|
| Investment return | - 7.5% per annum |
| Increases in pensionable pay | - 6 % per annum |
| Pension increases | - 3.6 % per annum |
| Dividend growth | - 4.5% per annum |

The variation from regular cost, which recognises the excess of assets over liabilities in the scheme, has been spread over 15 years, being the average remaining working life.

At the most recent actuarial valuation as at 31 March 1999, the scheme had assets with a total market value of about £22.9 million. After allowing for the impact of the benefit changes introduced with effect from 1 January 2000 the actuarial value as at 31 March 1999 of the assets represented 103% of the benefits that had accrued to members after allowing for expected future increases in pensionable pay.

The company's pension cost for the year was £364,661 (2000 - £258,874). A provision of £68,000 (2000 - £68,000) is included in the balance sheet at the year end, representing the difference between amounts due to the scheme over the contributions paid.

With the company being acquired during the year, the employees of the company will be transferring to a newly incorporated defined benefit pension scheme as from 28 February 2002. A portion, as yet undetermined, of the Norsk Hydro UK 1998 Pension Scheme will be transferred to this new scheme.

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25 OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as set out below:

| <i>Group</i> | <i>Other 2001 £</i> |
|--------------------------------|-----------------------------|
| Operating leases which expire: | |
| Within one year | 108,040 |
| In two to five years | 785,448 |
| | <u>893,488</u> |

26 RELATED PARTIES

- i) During the year, the group purchased feed in the normal course of business from Biomar Limited, a fellow subsidiary undertaking until 31 August 2001, for £2,056,563 (2000 - £3,869,489). The price charged was the normal market price in the case of each individual purchase.
- ii) 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 for the period 1 September 2001 to 31 December 2001, for £273,586. The price charged was the normal market price in the case of each individual purchase/sale. At the balance sheet date the amount due from Leroy Hallvard AS was £116,211.

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.

27 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

Until 31 August 2001, the ultimate parent undertaking was Norsk Hydro ASA. From that date, in the opinion of the directors, the company's immediate parent undertaking is Norskott Havbruk ASA, incorporated in Norway. It will include the company in its group accounts, 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 accounts, which include the company, are available from PO Box 7600, N-5020 Bergen, Norway, and N-216 Kverva, Norway, respectively.