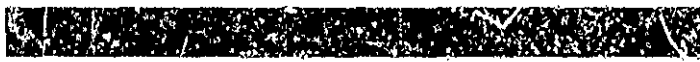


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Directors' Report and Accounts

GOLDEN SEA PRODUCE LIMITED

31 December 1989



Ernst & Young

COMPANIES HOUSE
26 JUN 1990
62

DIRECTORS' REPORT

Directors: H Skinnemoen (Chairman)
G W Mace (Managing Director)
M Arnisson-Newgass
O Enger
D Rackham
E Reiten (resigned 1 April 1989)
K J Ringstad (resigned 1 April 1989)
J G Speirs
M Gronningsaeter (appointed 1 April 1989)

Secretary: Stephen J Warren

Registered office: Bridge House, 69 London Road, Twickenham, Middlesex

The directors present their report for the year ended 31 December 1989.

ACCOUNTS AND DIVIDENDS

The directors submit the audited accounts of the group for the year ended 31 December 1989. The loss for the period amounts to £549,883 and is dealt with as shown in the consolidated profit and loss account. No dividend is proposed.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

During the year the activities of the group consisted of the farming of various marine species. Turbot On-growing has ceased.

FIXED ASSETS

Freehold and leasehold houses have not been depreciated as required by SSAP 12 as it is the opinion of the directors that the residual value of these properties as a whole will be at least equal to their cost.

During the year a new wellboat was purchased at a cost of £966,000.

DIRECTORS' INTERESTS

No directors had any interest in the share capital of the company or its subsidiary throughout the period.

GOLDEN SEA PRODUCE LIMITED

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DIRECTORS' REPORT (continued)

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on 1 September 1989 and now practice in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board



Secretary

21 May 1990

Ernst & Young

REPORT OF THE AUDITORS TO THE MEMBERS OF GOLDEN SEA PRODUCE LIMITED

We have audited the accounts on pages 4 to 18 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1989 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
Chartered Accountants
Glasgow

21 May 1990

GOLDEN SEA PRODUCE LIMITED

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

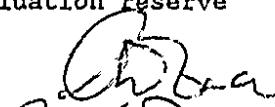

	Note	1989 £	1988 £
TURNOVER	2	8,729,041	5,896,456
OPERATING COSTS	3	8,007,849	5,224,507
GROUP OPERATING PROFIT	4	721,192	671,949
Interest receivable	7	101,161	21,653
Interest payable	8	(1,034,627)	(523,613)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM AND TAXATION		(212,274)	169,989
Exceptional items	9	(181,609)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(393,883)	169,989
Taxation	10	156,000	209,000
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		(549,883)	(39,011)
Extraordinary item	11	-	159,358
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		£(549,883)	£(198,369)
STATEMENT OF RETAINED PROFITS			
Balance at 31 December 1988		1,103,444	1,301,813
(Loss)/profit for the year		(549,883)	(198,369)
Balance at 31 December 1989	12	£553,561	£1,103,444

GOLDEN SEA PRODUCE LIMITED

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CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1989

	Note	1989 £	1988 £
FIXED ASSETS			
Intangible assets	13	-	73,472
Tangible assets	14	4,427,963	3,285,371
		<u>4,427,963</u>	<u>3,358,843</u>
CURRENT ASSETS			
Stocks	15	4,083,956	4,243,468
Debtors	16	2,269,580	2,313,292
Cash in bank and in hand		137,731	152,247
		<u>6,491,267</u>	<u>6,709,007</u>
CREDITORS - amounts falling due within one year			
Obligations under finance leases	17	35,166	54,170
Ship mortgage finance	18	72,900	-
Amounts owed to parent and fellow subsidiary companies		7,127,182	5,806,160
Group relief creditor		156,000	209,000
Trade and other creditors	19	795,146	1,207,208
		<u>8,186,394</u>	<u>7,276,538</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,695,127)</u>	<u>(567,531)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,732,836</u>	<u>2,791,312</u>
CREDITORS - amounts falling due after more than one year			
	20	1,125,277	633,870
		<u>£1,607,559</u>	<u>£2,157,442</u>
CAPITAL AND RESERVES			
Called up share capital	22	1,000,000	1,000,000
Profit and loss account	12	580,560	1,125,043
Revaluation reserve	23	26,999	32,399

Directors

21 May 1990

£1,607,559 £2,157,442

GOLDEN SEA PRODUCE LIMITED

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BALANCE SHEET - 31 DECEMBER 1989

	Note	1989 £	1988 £
FIXED ASSETS			
Intangible assets	13	-	73,472
Tangible assets	14	4,427,963	3,285,371
		<u>4,427,963</u>	<u>3,358,843</u>
CURRENT ASSETS			
Stocks	15	4,083,956	4,243,468
Debtors	16	2,330,505	2,374,217
Cash in bank and in hand		137,731	152,247
		<u>6,552,192</u>	<u>6,769,932</u>
CREDITORS - amounts falling due within one year			
Obligations under finance leases	17	35,166	54,170
Amounts owed to parent and fellow subsidiary companies		7,127,182	5,806,159
Group relief creditor		156,000	209,000
Trade and other creditors	19	795,146	1,207,208
Ship mortgage finance	18	72,900	-
		<u>8,186,394</u>	<u>7,276,537</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,634,202)</u>	<u>(506,605)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,793,761</u>	<u>2,852,238</u>
CREDITORS - amounts falling due after more than one year			
	20	1,125,277	633,870
		<u>£1,668,484</u>	<u>£2,218,368</u>
CAPITAL AND RESERVES			
Called up share capital	22	1,000,000	1,000,000
Profit and loss account	12	641,485	1,185,969
Revaluation Reserve	23	26,999	32,399



 Directors

£1,668,484 £2,218,368

GOLDEN SEA PRODUCE LIMITED

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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

	1989 £	1988 £
SOURCES OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	(393,883)	164,159
Items not involving the movement of funds:		
Depreciation and amortisation of fixed assets	1,151,372	853,630
(Profit)/loss on sale of fixed assets	42,686	(1,109)
Release of investment grant	(62,813)	(53,213)
	<hr/>	<hr/>
Total generated from operations	737,362	963,467
OTHER SOURCES		
Proceeds of sale of fixed assets	58,678	20,919
Grants received	247,319	76,350
Loan received	510,300	"
	<hr/>	<hr/>
Total sources of funds	1,553,659	1,060,736
FUNDS APPLIED		
Purchase of fixed assets	2,321,856	1,897,241
Obligations under finance leases	54,170	95,707
Loan repaid	95,333	95,333
Taxation paid	209,000	175,405
Extraordinary item	-	159,358
	<hr/>	<hr/>
	2,680,359	2,423,044
	<hr/>	<hr/>
(DECREASE)/INCREASE IN WORKING CAPITAL	£(1,126,700)	£(1,362,308)
Arising from movements in:		
Stocks	(159,512)	1,447,010
Debtors	(43,712)	1,158,320
Trade and other creditors	(908,960)	(4,016,684)
Liquid funds	(14,516)	49,046
	<hr/>	<hr/>
	£(1,126,700)	£(1,362,308)
	<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiary for the year ended 31 December 1989.

(c) Depreciation

Freehold land and houses are not depreciated. The cost or valuation of other fixed assets is written off over the expected useful lives of the assets as follows:

Leasehold property	10 years or over the period of the lease if shorter
Machinery and equipment	2.5-10 years
Motor vehicles	3-4 years
Wellboat	20 years

(d) 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.

(e) Research and development

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

(f) 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.

(g) Government grants

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

(h) Leased assets

Assets held on finance leases are shown as part of the company's fixed assets whilst the obligations in respect of the capital element of the lease funding are included in creditors.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

1 ACCOUNTING POLICIES (continued)

(i) Goodwill

The Portland Harbour site was sold in January 1990. As a result goodwill of £6,888 was written off as normal with the remaining £66,584 being included in exceptional items.

(j) 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.

This is a change of accounting policy following adoption of SSAP 24. In previous years, the charge to the profit and loss account was the actual amount of contributions made by the employer to the scheme. The accounts for the year to 31 December 1988 have been restated.

2 TURNOVER

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

A geographical analysis is as follows:

	1989 £	1988 £
United Kingdom	7,693,749	4,851,076
Other European countries	1,031,763	970,107
USA	3,529	75,273
	<hr/>	<hr/>
	£8,729,041	£5,896,456
	<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

3 OPERATING COSTS

	1989 £	1988 £
Increase in stocks	(73,674)	(1,264,478)
Raw materials and consumables	3,481,099	3,112,097
Staff costs:		
Wages and salaries	1,336,335	1,013,833
Social Security costs	105,332	78,943
Other pension costs	81,352	72,572
Depreciation and other amounts written off tangible and intangible fixed assets (including depreciation of assets held under finance lease: £33,492 (1988 - £33,492))	1,084,788	853,630
Other operating charges	2,055,430	1,411,123
Release of investment grant	(62,813)	(53,213)
	<u>£8,007,849</u>	<u>£5,224,507</u>

4 GROUP OPERATING PROFIT is stated after charging:

	1989 £	1988 £
Hire of plant and equipment	42,125	43,665
Auditors' remuneration	14,050	11,000
Directors' remuneration, including pension contributions	128,165	115,851

5 EMOLUMENTS OF DIRECTORS

The emoluments, excluding pension contributions, of the directors of the company are detailed as follows:

	1989 £	1988 £
Chairman	4,000	-
Highest paid director	43,026	39,926

Other directors in scale:

	Number of directors	
Not more than £5,000	5	4
£15,001 - £20,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

6 STAFF NUMBERS

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

	1989	1988
Management	21	20
Administration	12	10
Fish farming and ancillary activities	106	93
	<hr/>	<hr/>
	139	123
	<hr/>	<hr/>

7 INTEREST RECEIVABLE AND OTHER INCOME

	1989 £	1988 £
Interest from group companies	52,591	15,857
Other interest	48,570	5,796
	<hr/>	<hr/>
	£101,161	£21,653
	<hr/>	<hr/>

8 INTEREST PAYABLE

	1989 £	1988 £
Leased assets	9,046	18,512
Group loans	70,176	62,851
FELOS account	929,948	442,250
Ship mortgage finance	25,457	-
	<hr/>	<hr/>
	£1,034,627	£523,613
	<hr/>	<hr/>

9 EXCEPTIONAL ITEM

	1989 £	1988 £
Portland Goodwill	66,584	-
Loss on sale of Wellboat	62,619	-
Process unit design fees (project altered)	52,406	-
	<hr/>	<hr/>
	£181,609	-
	<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

10 TAXATION

	1989 £	1988 £
The charge based on the profit for the year comprises:		
UK Corporation tax - group relief	156,000	209,000

Payment for group relief has been provided at 35% (1988 - 18%).

11 EXTRAORDINARY ITEMS

	1989 £	1988 £
Costs suffered as a consequence of the discharge of chlorine by SSEB in connection with the supply of effluent water used by the company	-	159,358

12 PROFIT AND LOSS ACCOUNT

	Group £	Company £	Subsidiary £
As at 31.12.88 - as previously reported	1,119,214	1,180,139	(50,925)
- prior year adjustment	5,831	5,831	-
	<hr/>	<hr/>	<hr/>
Loss for the year	1,125,043 (549,883)	1,185,968 (549,883)	(60,925) -
	<hr/>	<hr/>	<hr/>
Transfer from revaluation reserve	575,160 5,400	636,085 5,400	(60,925) -
	<hr/>	<hr/>	<hr/>
	£580,560	£641,485	£(60,925)

The company has not presented its own profit and loss account for the period ended 31 December 1989. Of the group loss for the financial period, £549,883 has been dealt with in the accounts of the company.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

13 INTANGIBLE ASSETS

	GOODWILL	
	1989	1988
	£	£
GROUP AND COMPANY		
Balance 1 January 1989	73,472	82,656
Less: written off to profit and loss account for the year (of which £66,584 has been treated as exceptional)	73,472	9,184
	<hr/>	<hr/>
Balance 31 December 1989	-	£73,472
	<hr/>	<hr/>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

14 TANGIBLE ASSETS

	Freehold land and buildings £	Buildings on lease- hold land £	Machinery & equipment £	Motor vehicles £	Total £
GROUP AND COMPANY					
NON LEASED ASSETS					
Cost or valuation					
At 1 January 1989	58,511	994,415	4,433,950	310,243	5,797,119
Additions during period	-	322,537	1,967,518	31,801	2,321,856
Disposals	-	-	(166,762)	(52,051)	(218,813)
	<u>58,511</u>	<u>1,316,952</u>	<u>6,234,706</u>	<u>289,993</u>	<u>7,900,162</u>
Depreciation					
At 1 January 1989	-	386,104	2,151,761	141,350	2,679,215
Charge for period	-	92,777	874,162	77,469	1,044,408
Disposals	-	-	(73,822)	(43,627)	(117,449)
	<u>-</u>	<u>478,881</u>	<u>2,952,101</u>	<u>175,192</u>	<u>3,606,174</u>
Net book value					
At 31 December 1989	<u>58,511</u>	<u>838,071</u>	<u>3,282,605</u>	<u>114,801</u>	<u>4,293,988</u>
GROUP AND COMPANY					
LEASED ASSETS					
Cost or valuation					
At 1 January 1989	-	85,167	476,175	-	561,342
Additions during period	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1989	<u>-</u>	<u>85,167</u>	<u>476,175</u>	<u>-</u>	<u>561,342</u>
Depreciation					
At 1 January 1989	-	50,301	343,574	-	393,875
Charge for period	-	8,517	24,975	-	33,492
	<u>-</u>	<u>58,818</u>	<u>368,549</u>	<u>-</u>	<u>427,367</u>
At 31 December 1989	<u>-</u>	<u>58,818</u>	<u>368,549</u>	<u>-</u>	<u>427,367</u>
Net book value					
At 31 December 1989	<u>-</u>	<u>26,349</u>	<u>107,626</u>	<u>-</u>	<u>133,975</u>
Total assets					
Net book value					
At 31 December 1989	<u>£58,511</u>	<u>£864,420</u>	<u>£3,390,231</u>	<u>£114,801</u>	<u>£4,427,963</u>
Net book value					
At 31 December 1988	<u>£58,511</u>	<u>£643,177</u>	<u>£2,414,790</u>	<u>£168,893</u>	<u>£3,285,371</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

15 STOCKS

	GROUP AND COMPANY	
	1989	1988
	£	£
Materials and feed	172,842	406,019
Ongrowing fish	3,911,114	3,837,449
	<u>£4,083,956</u>	<u>£4,243,468</u>

16 DEBTORS

	GROUP		COMPANY	
	1989	1988	1989	1988
	£	£	£	£
Trade debtors	1,601,570	1,408,481	1,601,570	1,408,481
Prepayments and accrued income	117,513	589,134	117,513	589,134
Amount owed by subsidiary company	-	-	60,925	60,925
Amounts owed by parent and fellow subsidiary companies	386,379	189,702	386,379	189,702
Other debtors	164,118	125,975	164,118	125,975
	<u>£2,269,580</u>	<u>£2,313,292</u>	<u>£2,330,505</u>	<u>£2,374,217</u>

17 OBLIGATIONS UNDER FINANCE LEASES

The capital amounts due under finance lease obligations are as follows:

	GROUP AND COMPANY	
	1989	1988
	£	£
Within one year	35,166	54,170
Within two to five years (note 19)	-	35,166
	<u>£35,166</u>	<u>£89,336</u>

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

18 SHIP MORTGAGE FINANCE

	GROUP AND COMPANY	
	1989	1988
	£	£
Due within one year	72,900	-
Within two to five years	291,600	-
More than five years	145,800	-
	<hr/>	<hr/>
	£510,300	-
	<hr/>	<hr/>

19 TRADE AND OTHER CREDITORS

	GROUP AND COMPANY	
	1989	1988
	£	£
Trade creditor	245,155	1,034,637
Social security	36,105	38,820
Accruals and deferred income	513,886	136,751
	<hr/>	<hr/>
	£795,146	£1,207,208
	<hr/>	<hr/>

20 CREDITORS - amounts falling due after more than one year

	GROUP AND COMPANY	
	1989	1988
	£	£
Ship mortgage finance	437,400	-
Subordinated interest bearing loans	333,666	428,999
Capital amounts due under finance lease obligations within two to five years	-	35,166
Deferred grants	354,211	169,705
	<hr/>	<hr/>
	£1,125,277	£633,870
	<hr/>	<hr/>

The subordinated interest bearing loan is payable to the parent company twice yearly and interest is charged at 1% above the prevailing base rate. Amount included under current liabilities is £95,333. The ship mortgage falling due for payment after more than five years is £145,800. This mortgage is payable to the Bank of Scotland twice yearly and interest is charged at 7½%. The amount included under current liabilities is £72,900.

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

21 DEFERRED TAXATION

No provision for deferred taxation is required.

22 CALLED UP SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid £
At 31 December 1988		
Ordinary shares of £1 each	£1,000,000	£1,000,000
	<hr/>	<hr/>
At 31 December 1989		
Ordinary shares of £1 each	£1,000,000	£1,000,000
	<hr/>	<hr/>

23 REVALUATION SURPLUS

	GROUP £
As at 31 December 1988	32,399
Amount included in depreciation charges to date transferred to retained profits	5,400
	<hr/>
	£26,999
	<hr/>

24 FINANCIAL COMMITMENTS

At 31 December authorised future capital expenditure before deduction of available government grants amounted to:

	GROUP AND COMPANY	
	1989	1988
	£	£
Contracted	30,000	1,135,800
Not contracted	50,000	310,000
	<hr/>	<hr/>

25 SUBSIDIARY COMPANY

	Class of shares	Country of incorporation	Proportion held
Scottish Sea Farms Limited	Ordinary £1	Scotland	100%

GOLDEN SEA PRODUCE LIMITED

NOTES ON THE ACCOUNTS - 31 DECEMBER 1989

26 HOLDING COMPANY

The company's ultimate holding company is Norsk Hydro AS, a company incorporated in Norway.

27 CONTINGENT LIABILITIES

The company has a contingent liability which the board estimates to be £30,000 in respect of liabilities under the terms of the lease of the land at Hunterston.

28 PENSION SCHEME

The company's employees participate in 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.

The pension cost charge is determined by the scheme's consulting actuaries, Bacon & Woodrow. The charges for the years ended 31 December 1988 and 31 December 1989 are based on the most recent valuation, which took place as at 5 April 1987 in the further calculations carried out as at April 1988 in respect of the merger to two earlier schemes to form the current scheme. The attained age method was used. The principal actuarial assumptions adopted were that the annual rate of return on investments would be 2% higher than the annual rate of increase of present and future pensions.

At the most recent actuarial valuation the scheme held assets with a total market value of £2.06 million. The actuarial value of the assets represented 105% of the benefits that had accrued to members after allowing for expected future increases in pensionable earnings.

The pension cost for the period was £81,352 (1988 - £72,572). A prepayment of £11,678 (1988 - £5,830) is included in debtors representing the excess of the contributions paid over the pension cost during the period.