

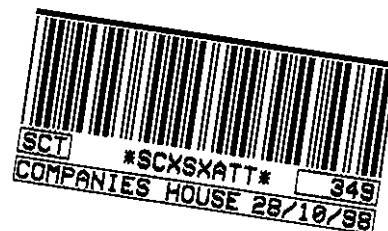
# Hydro Seafood GSP Limited

## Report and Accounts

31 December 1997



Company Registration Number 958001



# Hydro Seafood GSP Limited

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## **DIRECTORS**

Asbjorn Reinkind (appointed 15 December 1997)  
G W Mace  
J G Speirs CBE

## **SECRETARY**

G K Fraser

## **AUDITORS**

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

## **BANKERS**

National Westminster Bank PLC  
Feltham Branch  
48 The Centre  
Middlesex  
TW13 4BD

## **SOLICITORS**

McClure Naismith  
192 St Vincent Street  
Glasgow  
G2 5TQ

## **REGISTERED OFFICE**

Bridge House  
69 London Road  
Twickenham  
Middlesex

## **COMPANY REGISTRATION NUMBER**

958001

# Hydro Seafood GSP Limited

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## DIRECTORS' REPORT

The directors present their report and accounts for the group for the year ended 31 December 1997.

### ACCOUNTS AND DIVIDENDS

The directors submit the audited accounts of the group for the year ended 31 December 1997. The loss for the period after taxation amounts to £11,714,686 and is dealt with as shown in the consolidated profit and loss account. No dividend is proposed.

### PRINCIPAL ACTIVITY

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

### FIXED ASSETS

The changes in tangible fixed assets during the year are detailed in note 10 to the accounts. 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.

### POST BALANCE SHEET EVENT

#### *Stock provision*

Provision has been made for the consequential loss effects of a disease identified on certain farm sites in early 1998. The circumstances are fully detailed in note 1.

#### *Share capital*

The parent company has subscribed for £8m of share capital after the year end. In addition, £22m of short term balances owed to the parent company has been converted into long term finance.

### DIRECTORS

The directors during the year were those listed on page 1.

In addition, Messrs A Eide, M Arnisson-Newgass, A Flem, D Rackham and M Solberg served until their resignation on 15 December 1997.

### DIRECTORS' INTERESTS

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

### 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



G K FRASER

Secretary

22 October 1998

## 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.

**REPORT OF THE AUDITORS**

to the members of Hydro Seafood GSP Limited

We have audited the accounts on pages 5 to 23, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 3 the group's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

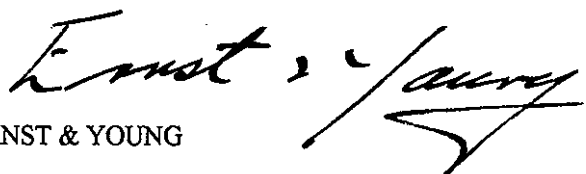
**Basis of opinion**

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1997 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

Registered Auditor  
Glasgow

22 October 1998

# Hydro Seafood GSP Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
<b>TURNOVER</b>	3	38,221,760	41,782,703
Cost of sales			
- prior to exceptional cost		40,350,021	35,951,799
- exceptional cost	4	7,887,412	-
		48,237,433	35,951,799
<b>GROSS (LOSS)/PROFIT</b>		(10,015,673)	5,830,904
Distribution costs		1,525,882	1,481,447
Administrative expenses		1,573,469	963,180
		3,099,351	2,444,627
<b>GROUP OPERATING (LOSS)/PROFIT</b>	5	(5,227,612)	3,386,277
- prior to exceptional cost		(7,887,412)	-
- exceptional cost	1/4	(7,887,412)	-
		(13,115,024)	3,386,277
Interest receivable	9	18,222	51,245
Interest payable	10	(2,780,408)	(1,525,756)
		(2,762,186)	(1,474,511)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(15,877,210)	1,911,766
Tax on (loss)/profit on ordinary activities	11	4,162,524	(7,000)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	23	(11,714,686)	1,904,766
Dividends	12/23	-	36,500
<b>(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR</b>	22	(11,714,686)	1,868,266

### STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses attributable to shareholders of the group other than the loss of £11,714,686 in the year ended 31 December 1997 and the profit of £1,904,766 in the year ended 31 December 1996.

# Hydro Seafood GSP Limited

## GROUP BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Intangible assets	13	600,000	-
Tangible assets	14	<u>11,783,481</u>	<u>9,317,468</u>
		<u>12,383,481</u>	<u>9,317,468</u>
<b>CURRENT ASSETS</b>			
Stocks	16	37,530,740	32,201,727
Debtors	17	15,029,318	11,214,119
Cash at bank and in hand		<u>9,800</u>	<u>8,878</u>
		<u>52,569,858</u>	<u>43,424,724</u>
<b>CREDITORS - amounts falling due within one year</b>			
Amounts owed to parent and fellow subsidiary undertakings		54,134,904	32,937,619
Proposed final dividend		1,487,000	1,487,000
Trade and other creditors	18	7,176,501	4,774,668
Bank overdraft		<u>608,923</u>	<u>-</u>
		<u>63,407,328</u>	<u>39,199,287</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(10,837,470)</u>	<u>4,225,437</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,546,011	13,542,905
<b>CREDITORS - amounts falling due after more than one year</b>			
	19	4,203,054	4,259,262
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred tax	20	<u>-</u>	<u>226,000</u>
		<u>(2,657,043)</u>	<u>9,057,643</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21 & 23	3,500,000	3,500,000
Profit and loss account	22 & 23	<u>(6,157,043)</u>	<u>5,557,643</u>
		<u>(2,657,043)</u>	<u>9,057,643</u>
<b>ALLOCATED AS REQUIRED BY FRS4</b>			
Equity shares - ordinary share capital		<u>(2,657,043)</u>	<u>9,057,643</u>



GUY W MACE

Director

22 October 1998

# Hydro Seafood GSP Limited

## BALANCE SHEET

at 31 December 1997

	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Intangible assets	13	600,000	-
Tangible assets	14	10,630,141	7,605,766
Investments	15	<u>1,581,002</u>	<u>1,581,002</u>
		<u>12,811,143</u>	<u>9,186,768</u>
<b>CURRENT ASSETS</b>			
Stocks	16	35,789,265	23,205,913
Debtors	17	19,416,929	17,114,692
Cash at bank and in hand		<u>9,650</u>	<u>4,381</u>
		<u>55,215,844</u>	<u>40,324,986</u>
<b>CREDITORS - amounts falling due within one year</b>			
Amounts owed to parent and fellow subsidiary undertakings		53,979,169	32,533,622
Proposed final dividend		1,487,000	1,487,000
Trade and other creditors	18	5,644,636	3,454,242
Bank overdraft		<u>608,923</u>	<u>-</u>
		<u>61,719,728</u>	<u>37,474,864</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(6,503,884)</u>	<u>2,850,122</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,307,259	12,036,890
<b>CREDITORS - amounts falling due after more than one year</b>			
	19	4,181,636	4,227,140
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred tax	20	<u>-</u>	<u>226,000</u>
		<u>2,125,623</u>	<u>7,583,750</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21 & 23	3,500,000	3,500,000
Profit and loss account	22 & 23	<u>(1,374,377)</u>	<u>4,083,750</u>
		<u>2,125,623</u>	<u>7,583,750</u>
<b>ALLOCATED AS REQUIRED BY FRS4</b>			
Equity shares - ordinary share capital		<u>2,125,623</u>	<u>7,583,750</u>



GUY W MACE

Director

22 October 1998

# Hydro Seafood GSP Limited

## GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1997

	Notes	1997 £	1996 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	6(a)	7,744,598	3,937,611
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	6(b)	(2,762,186)	(1,474,511)
<b>TAXATION</b>	6(c)	219,000	(303,000)
<b>CAPITAL EXPENDITURE</b>	6(d)	(5,809,413)	(4,116,126)
<b>CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		(608,001)	(1,956,026)
<b>FINANCING</b>	6(e)	-	1,927,100
<b>(DECREASE) IN CASH</b>		(608,001)	(28,926)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
(Decrease) in cash in the period	6(f)	(608,001)	(28,926)
Cash inflow from increase in debt	6(e)	-	(1,927,100)
Movement in net debt in the period		(608,001)	(1,956,026)
Net debt at 1 January 1997		(3,991,122)	(2,035,096)
Net debt at 31 December 1997		(4,599,123)	(3,991,122)

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NOTES ON THE ACCOUNTS  
at 31 December 1997

1 FUNDAMENTAL ACCOUNTING CONCEPT

On 4 May 1998, following internal investigations of mortalities on one of the company's sites, the Scottish Office was notified of suspicion of the presence of Infectious Salmon Anaemia (ISA). This viral condition had previously not been seen in the EU and is classified as a List 1 Notifiable Disease. Confirmation of ISA therefore leads to mandatory removal of the fish from the site, either by cull and disposal or, if the fish have reached market size, by harvest (as the virus is incapable of replicating at human body temperature, there is no human health risk associated with ISA). The Scottish Office inspectorate subsequently confirmed the presence of ISA at the initial site and, following visits and sampling, at other of the company's West of Scotland sites. Further sites remain under suspicion of infection, pending further examination which will be ongoing.

As a result of the culling of these sites which resulted from the orders of the Scottish Office, exceptional costs of £7,887,412 - as disclosed in the profit and loss account - have been incurred by the company and its subsidiaries. Based on the information and knowledge available at the date of approving these accounts, the directors consider there to be full and adequate provision for the costs incurred and for the impact which this has had on the realisable value of the stock held at the year end.

In early 1998, prior to the detection of ISA, the parent company subscribed for an additional £8m of share capital and - following the confirmation of the ISA presence - converted £22m of short term borrowings into long term finance.

In a press statement released in September 1998, Hydro Seafood stated the following:

"Consequent to disappointing financial performance from its Scottish salmon farming company, Hydro Seafood GSP Limited (GSP), Hydro Seafood announces a significant reduction to the future scale of its Scottish activities.

The financial performance of GSP is the result of the poor competitive position of the Scottish salmon farming industry, made worse in its case by the consequences of the discovery of infectious salmon anaemia (ISA) in Scotland, including a number of GSP farms. The financial loss will depend upon the extent of ISA and the need for eradication. The issue of financial compensation is actively being pursued with the Scottish Office. The current projected loss in 1998 will be in the order of £10 million.

Future production targets are to be reduced by 40% (10,000 tons), and as a result there will be the requirement to reduce employee numbers with approximately 150, from 370 to 220 over the next six months.

Hydro Seafood is committed to its Scottish operations, and is confident that GSP can be returned to profitability and retain its position as one of the leading producers within the Scottish industry."

The accounts show an excess of liabilities over assets. However, they have been prepared on a going concern basis as the directors of the company believe that the ultimate parent company will continue to support the company to enable it to meet all liabilities as and when they fall due.

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## NOTES ON THE ACCOUNTS

at 31 December 1997

### 2 ACCOUNTING POLICIES

#### *Accounting convention*

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings and machinery and equipment.

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 1997.

#### *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:

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
Wellboat	- 20 years

#### *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.

#### *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*

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.

## NOTES ON THE ACCOUNTS

at 31 December 1997

### 2 ACCOUNTING POLICIES (continued)

#### *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.

### 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:

	1997 £	1996 £
United Kingdom	24,356,736	26,727,369
Other European countries	13,321,760	14,573,813
North America	220,382	149,986
Far East	85,114	249,638
South America	141,374	81,897
Other	96,394	-
	<u>38,221,760</u>	<u>41,782,703</u>

### 4 EXCEPTIONAL COST

This relates to a provision which has been made for the consequential loss effects of a disease identified on certain farm sites early in 1998 as detailed in note 1.

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 5 GROUP OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

	1997 £	1996 £
Auditors' remuneration		
- audit services	19,100	20,759
- non audit services	16,458	16,547
Depreciation of owned assets	2,776,620	1,945,861
Hire of plant and equipment	3,679,160	3,106,708
Government grants released	(56,208)	(80,952)

### 6 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Net cash inflow from operating activities:

	1997 £	1996 £
Operating (loss)/profit	(13,115,024)	3,386,277
Depreciation of tangible fixed assets	2,776,620	1,945,861
Profit on sale of tangible fixed assets	(33,220)	(21,266)
Deferred government grants released	(56,208)	(80,952)
Increase in stocks	(5,329,013)	(14,807,227)
Increase in operating debtors and prepayments	(97,675)	(6,331,591)
Increase in operating creditors and accruals	23,599,118	19,846,509
Net cash inflow from operating activities	7,744,598	3,937,611

(b) Return on investment and servicing of finance:

	1997 £	1996 £
Interest paid	(2,780,408)	(1,525,756)
Interest received	18,222	51,245
	(2,762,186)	(1,474,511)

(c) Taxation:

	1997 £	1996 £
Group relief receivable/(payable)	219,000	(303,000)

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 6 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

#### (d) Capital expenditure:

	1997 £	1996 £
Payments to acquire tangible fixed assets	(5,242,633)	(4,262,742)
Payments to acquire intangible fixed assets	(600,000)	-
Receipts from sales of tangible fixed assets	33,220	25,044
Government grants received	-	121,572
	<u>(5,809,413)</u>	<u>(4,116,126)</u>

#### (e) Financing:

	1997 £	1996 £
Net movement in short term borrowings	-	(72,900)
Net movement in long term borrowings	-	2,000,000
	<u>-</u>	<u>1,927,100</u>

#### (f) Analysis of changes in net debt:

	At 1 January 1997 £	Cash flows £	At 31 December 1997 £
Cash	8,878	922	9,800
Overdraft	-	(608,923)	(608,923)
		<u>(608,001)</u>	
Long term loans	(4,000,000)	-	(4,000,000)
	<u>(3,991,122)</u>	<u>(608,001)</u>	<u>(4,599,123)</u>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 7 DIRECTORS' REMUNERATION

	1997 £	1996 £
Emoluments (including pension contributions)	162,692	202,543
	<u>1997</u> <u>No</u>	<u>1996</u> <u>No</u>
Members of defined benefit pension schemes	2	2

### 8 STAFF COSTS

	1997 £	1996 £
Wages and salaries	5,857,151	4,624,822
Social security costs	474,627	371,671
Other pension costs	264,566	196,801
	<u>6,596,344</u>	<u>5,193,294</u>

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

	1997 No	1996 No
Management	50	47
Administration	24	22
Fish farming and ancillary activities	281	207
	<u>355</u>	<u>276</u>

### 9 INTEREST RECEIVABLE AND OTHER INCOME

	1997 £	1996 £
Interest from group companies	18,222	49,504
Other interest	-	1,741
	<u>18,222</u>	<u>51,245</u>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 10 INTEREST PAYABLE

	1997 £	1996 £
Group loans	288,949	195,434
FELOS account	2,491,459	1,328,914
Ship mortgage finance	-	1,408
	<u>2,780,408</u>	<u>1,525,756</u>

### 11 TAXATION

	1997 £	1996 £
Taxation based on the results for the year comprises:		
UK corporation tax:		
Group relief receivable/(given)	3,936,524	219,000
Deferred taxation	226,000	(221,000)
Adjustments in respect of prior periods:		
Deferred taxation	-	(5,000)
	<u>4,162,524</u>	<u>(7,000)</u>

Tax losses available for carry forward amount to approximately £2,451,000 (1996 - £2,451,000).

### 12 DIVIDENDS

	1997 £	1996 £
Ordinary - final proposed	-	36,500
	<u>-</u>	<u>36,500</u>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 13 INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	
At 1 January 1997	-
Additions	600,000
	<hr/>
At 31 December 1997	600,000
	<hr/>
Amortisation:	
At 1 January 1997 and 31 December 1997	/-
	<hr/>
Net book value:	
At 31 December 1997	600,000
	<hr/> <hr/>
At 1 January 1997	-
	<hr/> <hr/>

Goodwill will be written off in equal instalments over its estimated economic life of 10 years commencing from 1 January 1998.

During the year, Hydro Seafood GSP Limited acquired assets from Summer Isles Salmon Limited for a consideration of £995,900 satisfied by cash.

Analysis of the acquisition of the above assets:

Net assets at date of acquisition:

	<i>Value to group</i> £
Tangible fixed assets	395,900
Goodwill arising	600,000
	<hr/>
	995,900
	<hr/> <hr/>
Satisfied by:	
Cash	995,900
	<hr/> <hr/>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 14 TANGIBLE ASSETS

	<i>At 1 January 1997 £</i>	<i>Additions and reclassifications £</i>	<i>Disposals and transfers £</i>	<i>At 31 December 1997 £</i>
<i>Group</i>				
Non leased assets				
At cost or valuation:				
Freehold land and buildings	1,031,264	404,858	-	1,436,122
Buildings on leasehold land	994,064	61,241	-	1,055,305
Machinery and equipment	18,319,701	4,776,534	-	23,096,235
Motor vehicles	127,487	-	28,813	98,674
	<u>20,472,516</u>	<u>5,242,633</u>	<u>28,813</u>	<u>25,686,336</u>
Depreciation:				
Freehold land and buildings	356,884	77,601	-	434,485
Buildings on leasehold land	574,937	74,755	-	649,692
Machinery and equipment	10,117,490	2,610,362	-	12,727,852
Motor vehicles	105,737	13,902	28,813	90,826
	<u>11,155,048</u>	<u>2,776,620</u>	<u>28,813</u>	<u>13,902,855</u>
Net book value:				
At 31 December 1997				<u>11,783,481</u>
Leased assets				
At cost or valuation:				
Machinery and equipment	226,415	-	-	226,415
	<u>226,415</u>	<u>-</u>	<u>-</u>	<u>226,415</u>
Depreciation:				
Machinery and equipment	226,415	-	-	226,415
	<u>226,415</u>	<u>-</u>	<u>-</u>	<u>226,415</u>
Net book value:				
At 31 December 1997				<u>-</u>
<b>TOTAL ASSETS</b>				
Net book value:				
At 31 December 1997				<u>11,783,481</u>
At 31 December 1996				<u>9,317,468</u>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 14 TANGIBLE ASSETS (continued)

<i>Company</i>	<i>At 1 January 1997 £</i>	<i>Additions and reclassifications £</i>	<i>Disposals and transfers £</i>	<i>At 31 December 1997 £</i>
Non leased assets				
At cost or valuation:				
Freehold land and buildings	948,103	404,858	-	1,352,961
Buildings on leasehold land	994,064	61,241	-	1,055,305
Machinery and equipment	14,793,410	4,636,226	-	19,429,636
Motor vehicles	120,874	-	28,813	92,061
	<u>16,856,451</u>	<u>5,102,325</u>	<u>28,813</u>	<u>21,929,963</u>
Depreciation:				
Freehold land and buildings	342,093	75,585	-	417,678
Buildings on leasehold land	574,937	74,755	-	649,692
Machinery and equipment	8,234,531	1,913,708	-	10,148,239
Motor vehicles	99,124	13,902	28,813	84,213
	<u>9,250,685</u>	<u>2,077,950</u>	<u>28,813</u>	<u>11,299,822</u>
Net book value: At 31 December 1997				<u>10,630,141</u>
Leased assets				
At cost or valuation:				
Machinery and equipment	226,415	-	-	226,415
Depreciation:				
Machinery and equipment	226,415	-	-	226,415
Net book value: At 31 December 1997				<u>-</u>
<b>TOTAL ASSETS</b>				
Net book value: At 31 December 1997				<u>10,630,141</u>
At 31 December 1996				<u>7,605,766</u>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 15 INVESTMENTS

	1997 £	1996 £
At 1 January		
Additions	1,581,002	1,580,902
	-	100
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%
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%

### 16 STOCKS

	1997 £	Group 1996 £	1997 £	Company 1996 £
Materials and feed	2,645,563	1,443,013	2,424,349	1,102,191
Ongrowing fish	34,885,177	30,758,714	33,364,916	22,103,722
	<u>37,530,740</u>	<u>32,201,727</u>	<u>35,789,265</u>	<u>23,205,913</u>

### 17 DEBTORS

	1997 £	Group 1996 £	1997 £	Company 1996 £
Trade debtors	6,278,346	9,517,433	6,364	25,689
Prepayments and accrued income	1,315,309	879,753	1,274,929	840,545
Amounts owed by subsidiary undertakings	83,751	-	12,648,534	15,460,753
Other debtors	3,415,388	597,933	3,330,950	568,705
Group relief debtor	3,936,524	219,000	2,156,152	219,000
	<u>15,029,318</u>	<u>11,214,119</u>	<u>19,416,929</u>	<u>17,114,692</u>

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS

at 31 December 1997

### 18 TRADE AND OTHER CREDITORS

	1997 £	Group 1996 £	1997 £	Company 1996 £
Trade creditors	3,124,474	2,856,006	2,858,781	1,877,511
Social security	198,170	141,341	189,529	133,160
Accruals and deferred income	2,477,365	1,777,321	1,993,254	1,443,571
Provision for future costs incurred on culling fish	1,376,492	-	603,072	-
	<u>7,176,501</u>	<u>4,774,668</u>	<u>5,644,636</u>	<u>3,454,242</u>

### 19 CREDITORS: amounts falling due after more than one year

	1997 £	Group 1996 £	1997 £	Company 1996 £
Deferred grants	203,054	259,262	181,636	227,140
Group loan	4,000,000	4,000,000	4,000,000	4,000,000
	<u>4,203,054</u>	<u>4,259,262</u>	<u>4,181,636</u>	<u>4,227,140</u>

### 20 DEFERRED TAXATION

Deferred taxation in the accounts is as follows:

	1997 £	1996 £
<i>Group and Company</i>		
Capital allowances in advance of depreciation	415,326	341,000
Other timing differences	(453,063)	(115,000)
	<u>(37,737)</u>	<u>226,000</u>

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

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 21 CALLED UP SHARE CAPITAL

	1997 No	Authorised 1996 No	1997 £	Allotted, called up and fully paid 1996 £
Ordinary shares of £1 each	3,500,000	3,500,000	3,500,000	3,500,000

### 22 PROFIT AND LOSS ACCOUNT

	Group £	Company £	Subsidiaries £
As at 31 December 1996	5,557,643	4,083,750	1,473,893
Loss for the year	(11,714,686)	(5,458,127)	(6,256,559)
As at 31 December 1997	(6,157,043)	(1,374,377)	(4,782,666)

The company has not presented its own profit and loss account for the year ended 31 December 1997. Of the group loss for the financial year, a loss of £5,458,127 has been dealt with in the accounts of the company.

### 23 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group	Share capital £	Profit and loss account £	Total £
At 1 January 1996	3,500,000	3,689,377	7,189,377
Profit for the year	-	1,904,766	1,904,766
Dividend	-	(36,500)	(36,500)
At 31 December 1996	3,500,000	5,557,643	9,057,643
Loss for the year	-	(11,714,686)	(11,714,686)
At 31 December 1997	3,500,000	(6,157,043)	(2,657,043)

# Hydro Seafood GSP Limited

## NOTES ON THE ACCOUNTS at 31 December 1997

### 23 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES (cont)

<i>Company</i>	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 1996	3,500,000	4,178,697	7,678,697
Profit for the year	-	(58,447)	(58,447)
Dividend	-	(36,500)	(36,500)
At 31 December 1996	3,500,000	4,083,750	7,583,750
Loss for the year	-	(5,458,127)	(5,458,127)
At 31 December 1997	3,500,000	(1,374,377)	2,125,623

### 24 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £314,304 (1996 - £166,885) for the group and the company.

### 25 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.

Contributions to the scheme are made on the advice of the Scheme's consulting actuaries, Bacon & Woodrow. The aim is for benefits to be fully funded during the Scheme members' working lives. The regular pension cost is assessed under the Projected Unit Method. The latest actuarial valuation was as at 31 March 1996 and the most significant assumptions were:

Investment return	- 9% per annum
Increases in pensionable pay	- 7.5% per annum
Pension increases	- 4.8% 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 1996, the scheme had assets with a total market value of about £13.1 million. After allowing for the impact of the benefit changes introduced with effect from 1 November 1996 the actuarial value as at 31 March 1996 of the assets represented 114% of the benefits that had accrued to members after allowing for expected future increases in pensionable pay.

The pension cost for the year was £264,566 (1996 - £196,801). A provision of £157,000 (1996 - £72,000) is included in the balance sheet at the year end, representing the shortfall of the accumulated pension cost over the contributions paid.

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**NOTES ON THE ACCOUNTS**  
at 31 December 1997

**26 POST BALANCE SHEET EVENT**

Provision has been made for the consequential loss effects of a disease identified on certain farm sites in early 1998. The circumstances are fully detailed in note 1.

**27 HOLDING COMPANY**

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Norsk Hydro ASA, the ultimate parent company, incorporated in Norway, and the parent undertaking of the smallest group is Norsk Hydro (UK) Limited, incorporated in England. Copies of the Norsk Hydro ASA and the Norsk Hydro (UK) Limited accounts can be obtained from the Registered Office of the company.