

958001

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2005



Scottish Sea Farms Limited

Registered No: 958001

Directors

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

Secretary

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Auditors

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Bankers

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Solicitors

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Directors' report

The directors present their report and the group financial statements for the year ended 31 December 2005.

Results and dividends

The profit for the year after taxation amounts to £6,985,000 and is dealt with as shown in the consolidated profit and loss account. No dividend is proposed.

Principal activity and review of the business

Management's focus for the year was to continue to exercise control and make the necessary changes in the areas of the business in which we believed would deliver improved performance from 2004. We have implemented these changes and there has been improved performance in most areas of the business. The key development in the industry, however, this year has been the significant increase on prices being realised by farmers and this has helped Scottish Sea Farms to achieve a level of return expected of us by our shareholders. We are satisfied with the performance and the progress that we have made this year but are mindful of the challenges we face in the global marketplace in the coming years to deliver sustainable and consistent results to the group.

During the year we acquired the business activities of Hoove Salmon Limited and Saga Seafoods Limited. Both of these investments are strategic investments in our Shetland operations and they underline our commitment to continue to develop Scottish Sea Farms.

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 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 2005.

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

Financial management objectives and policies

The company's principal financial instruments comprise cash, short and long term deposits and/or borrowings, the main purpose of which is to provide finance for its normal trading operations.

Interest is payable on borrowings at normal commercial rates of interest. The company's interest payable can therefore be affected by changes in interest rates. The company does not undertake active hedging of this risk.

Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from trading operations.

The company manages credit risk by continuing to trade with our key customers. The company conducts credit checks on its customers and arranges credit terms accordingly.

Directors

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

Directors' interests

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

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 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 2005, the company had an average of 56 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



J F Gallagher
Director

14 February 2006

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; and
- 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.

Independent auditors' report to the members of Scottish Sea Farms Limited

We have audited the group and parent company financial statements (the "financial statements") of Scottish Sea Farms Limited for the year ended 31 December 2005, which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 26. These financial statements have been prepared under 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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

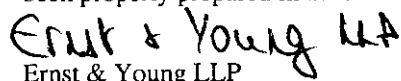
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered auditor
Glasgow
14 February 2006

Group profit and loss account

For the year ended 31 December 2005

		2005	2004 <i>restated</i>
	<i>Notes</i>	£000	£000
Turnover	2	66,127	57,304
Cost of sales		(50,983)	(48,083)
Gross profit		15,144	9,221
Distribution costs		(3,699)	(3,508)
Administrative expenses		(1,750)	(1,253)
Group operating profit	3	9,695	4,460
Interest payable	6	(2,077)	(2,427)
Other finance income	7	28	33
Profit on ordinary activities before taxation		7,646	2,066
Tax on profit on ordinary activities	8(a)	(661)	(17)
Profit for the financial year	20 & 21	6,985	2,049

Group statement of total recognised gains and losses

for the year ended 31 December 2005

		2005	2004 <i>restated</i>
	<i>Note</i>	£000	£000
Profit for the financial year		6,985	2,049
Actuarial loss		(720)	(355)
Current tax on actuarial loss		40	-
Deferred tax on actuarial loss		176	106
Total recognised gains and losses relating to the year		6,481	1,800
Prior year adjustment	1	(252)	
Total gains and losses against recognised since last annual report		6,229	

Group balance sheet

at 31 December 2005

	Notes	2005 £000	2004 restated £000
Fixed assets			
Intangible assets	9	152	220
Tangible assets	10	9,487	7,905
		<u>9,639</u>	<u>8,125</u>
Current assets			
Stocks	12	23,113	26,134
Debtors	13	7,942	7,090
Cash at bank and in hand		3,929	87
		<u>34,984</u>	<u>33,311</u>
Creditors: amounts falling due within one year	14	(37,556)	(29,530)
Net current (liabilities)/assets		<u>(2,572)</u>	<u>3,781</u>
Total assets less current liabilities		<u>7,067</u>	<u>11,906</u>
Creditors: amounts falling due after more than one year	15	3,066	14,845
Accruals and deferred income	17	214	165
Pension liability	23	662	252
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	(19,875)	(26,356)
Equity shareholders' funds		<u>3,125</u>	<u>(3,356)</u>
		<u>7,067</u>	<u>11,906</u>

J F Gallagher

J F Gallagher
Director

14 February 2006

Company balance sheet

at 31 December 2005

	Notes	2005 £000	2004 restated £000
Fixed assets			
Intangible assets	9	120	180
Tangible assets	10	8,197	6,655
Investments	11	1,581	1,581
		<u>9,898</u>	<u>8,416</u>
Current assets			
Stocks	12	21,058	23,000
Debtors	13	13,801	15,021
Cash at bank and in hand		3,929	87
		<u>38,788</u>	<u>38,108</u>
Creditors: amounts falling due within one year	14	<u>(36,869)</u>	<u>(28,655)</u>
Net current assets		<u>1,919</u>	<u>9,453</u>
Total assets less current liabilities		<u>11,817</u>	<u>17,869</u>
Creditors: amounts falling due after more than one year	15	<u>3,066</u>	<u>14,845</u>
Accruals and deferred income	17	<u>214</u>	<u>165</u>
Pension liability	23	<u>662</u>	<u>252</u>
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	<u>(15,125)</u>	<u>(20,393)</u>
Equity shareholders' funds		<u>7,875</u>	<u>2,607</u>
		<u>11,817</u>	<u>17,869</u>

J F Gallagher

J F Gallagher
Director

14 February 2006

Notes to the financial statements

at 31 December 2005

1. 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 17 "Retirement Benefits". The adoption of FRS 17 has resulted in a prior year adjustment for both the group and the company. For the group and the company, shareholders' funds at 1 January 2004 and 1 January 2005 have been reduced by £46,000 and £252,000 respectively, the profit before tax for the year ended 31 December 2004 has been increased by £60,000 and the tax charge for the year ended 31 December 2004 has been increased by £17,000. Profit for the current year has increased by £94,000.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2005.

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 ongrowing fish, costs include direct labour, feed and direct overheads attributable to fish production.

Research and development

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

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Deferred taxation

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

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

Government grants

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 group operates both a defined benefit and a defined contribution pension scheme. The assets of the schemes are held separately from those of the group.

Defined benefit pension scheme assets are measured using market value. Associated pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

Any increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period, is charged to the operating profit. The expected return on the schemes assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time, are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All foreign currency exchange differences are dealt with through the profit and loss account.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Cash flow statement

No cash flow statement has been prepared for the group in accordance with the exemption included in Financial Reporting Standard No 1 for subsidiary undertakings where consolidated financial statements which include the subsidiary are publicly available.

2. Turnover

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

Turnover is attributable to one continuing activity, the farming of salmon.

No further analysis of turnover has been disclosed as, in the opinion of the directors, any further analysis would be seriously prejudicial to the interests of the group.

3. Group operating profit

This is stated after charging/(crediting):

	2005 £000	2004 £000
Depreciation of owned assets	1,895	1,834
Depreciation of assets held under finance leases and hire purchase contracts	277	115
	<u>2,172</u>	<u>1,949</u>
Directors' remuneration	222	160
Auditors' remuneration		
- audit services	34	30
- non audit services	12	20
Hire of plant and equipment	2,342	2,251
Government grants released	(50)	(41)
Amortisation of goodwill	68	68
Exchange (gains)/losses	-	(33)
	<u></u>	<u></u>

4. Directors' remuneration

	2005 £000	2004 £000
Emoluments	222	160
	<u></u>	<u></u>
	2005 No.	2004 No.
Members of defined benefit pension schemes	2	2
	<u></u>	<u></u>

The emoluments of the highest paid director for the year ended 31 December 2005 were £138,000 (2004 - £93,000). He was a member of the group's defined benefit pension scheme and his accrued pension at 31 December 2005 was £11,000.

Notes to the financial statements

at 31 December 2005

5. Staff costs

	2005	2004 <i>restated</i>
	£000	£000
Wages and salaries	5,770	5,346
Social security costs	463	415
Other pension costs	268	210
	<u>6,501</u>	<u>5,971</u>

The average number of persons employed by the group, including directors, during the year was 243 (2004 - 230).

6. Interest payable

	2005	2004
	£000	£000
Bank loan interest	1,131	1,286
Bank overdraft interest	946	1,141
	<u>2,077</u>	<u>2,427</u>

7. Other finance costs

	2005	2004
	£000	£000
Interest on pension scheme liabilities	(214)	(170)
Expected return on pension scheme assets	242	203
	<u>28</u>	<u>33</u>

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax credit is made up as follows:

		2005	2004 <i>restated</i>
	Note	£000	£000
UK corporation tax:			
UK corporation tax on profits for year	8(b)	1,223	-
Deferred tax:			
Originating and reversal of timing differences	8(d)	(562)	(17)
		<u>661</u>	<u>(17)</u>

Notes to the financial statements

at 31 December 2005

8. Taxation (continued)

(b) Factors affecting the current tax charge

Group

		2005	2004 <i>restated</i>
	Note	£000	£000
Profit on ordinary activities before tax		7,646	2,066
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)		2,294	620
Effect of:			
Disallowed expenses and non-taxable income		54	75
Fixed asset timing differences		7	(193)
Other timing differences		71	(50)
Utilisation of tax losses		(1,203)	(452)
	8(a)	1,223	-

(c) Factors that may affect future tax charges

The group has tax losses, accelerated capital allowances and other timing differences of approximately £1,873,000 (2004 - £5,500,000) which are available indefinitely for offset against future taxable profits. In 2004, the deferred tax asset (note 8(d)) of £1,762,000 (restated) was not recognised. However, in 2005 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 and have, therefore, incorporated the asset.

(d) Deferred tax

As stated in (c) above, the undernoted deferred tax asset has been incorporated in the financial statements. For comparative purposes, the unprovided deferred tax asset at 31 December 2004 is also shown below and is made up of the following:

		2005	Group 2004 <i>restated</i>	2005	Company 2004 <i>restated</i>
	Note	Provided £000	Potential £000	Provided £000	Potential £000
Included in debtors:					
Accelerated capital allowances		(397)	(344)	(466)	(436)
Other timing differences		(151)	(49)	(151)	(49)
Tax losses		(14)	(1,261)	-	(845)
	13	(562)	(1,654)	(617)	(1,330)
Netted off against pension scheme liability:					
Pension scheme asset		(284)	(108)	(284)	(108)
		(846)	(1,762)	(901)	(1,438)

Notes to the financial statements

at 31 December 2005

8. Taxation (continued)

(d) Deferred tax (continued)

	<i>Group</i> £000	<i>Company</i> £000
At 1 January 2005 - restated	(108)	(108)
Credit for year	(562)	(617)
Statement of Total Recognised Gains and Losses	(176)	(176)
At 31 December 2005	<u>(846)</u>	<u>(901)</u>

All the deferred tax balances above are stated at 30%.

9. Intangible fixed assets

	<i>Group</i> <i>goodwill</i> £000	<i>Company</i> <i>goodwill</i> £000
Cost:		
At 1 January 2005 and at 31 December 2005	<u>680</u>	<u>600</u>
Amortisation:		
At 1 January 2005	460	420
Addition for year	68	60
At 31 December 2005	<u>528</u>	<u>480</u>
Net book value:		
At 31 December 2005	<u>152</u>	<u>120</u>
At 1 January 2005	<u>220</u>	<u>180</u>

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

Notes to the financial statements

at 31 December 2005

10. Tangible assets

<i>Group</i>	<i>At 1 January 2005 £000</i>	<i>Additions and reclassifications £000</i>	<i>Disposals and transfers £000</i>	<i>At 31 December 2005 £000</i>
At cost:				
Freehold land and buildings	1,913	127	-	2,040
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	36,829	3,498	87	40,240
Motor vehicles	567	149	-	716
	<u>40,408</u>	<u>3,774</u>	<u>87</u>	<u>44,095</u>
Depreciation:				
Freehold land and buildings	1,068	84	-	1,152
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	30,064	1,901	67	31,898
Motor vehicles	272	187	-	459
	<u>32,503</u>	<u>2,172</u>	<u>67</u>	<u>34,608</u>
Net book value	<u>7,905</u>			<u>9,487</u>

The net book value of motor vehicles includes £173,000 (2004 - £193,000) relating to assets held under finance leases and hire purchase contracts.

<i>Company</i>	<i>At 1 January 2005 £000</i>	<i>Additions and reclassifications £000</i>	<i>Disposals and transfers £000</i>	<i>At 31 December 2005 £000</i>
At cost:				
Freehold land and buildings	1,830	127	-	1,957
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	31,048	3,380	87	34,341
Motor vehicles	561	149	-	710
	<u>34,538</u>	<u>3,657</u>	<u>88</u>	<u>38,107</u>
Depreciation:				
Freehold land and buildings	1,044	84	-	1,128
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	25,474	1,823	67	27,230
Motor vehicles	266	187	-	453
	<u>27,883</u>	<u>2,094</u>	<u>67</u>	<u>29,910</u>
Net book value	<u>6,655</u>			<u>8,197</u>

The net book value of motor vehicles includes £173,000 (2004 - £193,000) relating to assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2005

11. Investments

Company

	2005	2004
	£000	£000
At 1 January and at 31 December	1,581	1,581

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	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.

12. Stocks

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Materials and feed	577	862	401	575
Ongrowing fish	22,536	25,272	20,657	22,425
	23,113	26,134	21,058	23,000

Notes to the financial statements

at 31 December 2005

13. Debtors

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	4,896	4,062	4,896	4,062
Prepayments and accrued income	483	444	475	435
Amounts owed by group undertakings	1,738	1,936	7,550	9,940
Other debtors	263	648	263	584
Deferred tax (note 8(d))	562	-	617	-
	<u>7,942</u>	<u>7,090</u>	<u>13,801</u>	<u>15,021</u>

Included within amounts owed by group undertakings for the 'company' is an amount of £3,000,000 (2004 - £3,000,000) which is due after one year.

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans (note 16)	11,775	3,700	11,775	3,700
Bank overdraft	12,500	16,500	12,500	16,500
Trade creditors	7,944	6,937	7,467	6,260
Social security	230	168	230	168
Corporation tax payable	1,184	-	1,184	-
Accruals and deferred income	3,743	2,047	3,533	1,849
Obligations under finance leases and hire purchase contracts (note 18)	123	101	123	101
Amounts owed to group companies	57	77	57	77
	<u>37,556</u>	<u>29,530</u>	<u>36,869</u>	<u>28,655</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 undertakings.

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

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans (note 16)	3,000	14,775	3,000	14,775
Obligations under finance leases and hire purchase contracts (note 18)	66	70	66	70
	<u>3,066</u>	<u>14,845</u>	<u>3,066</u>	<u>14,845</u>

Notes to the financial statements

at 31 December 2005

16. Bank loans

	2005	Group	2005	Company
	£000	2004	£000	2004
		£000		£000
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	5,000	7,000	5,000	7,000
£17million bank loan	9,775	11,475	9,775	11,475
	<u>14,775</u>	<u>18,475</u>	<u>14,775</u>	<u>18,475</u>
Less: included in creditors: amounts falling due within one year (note 14)	11,775	3,700	11,775	3,700
Amounts falling due after one year (note 15)	<u>3,000</u>	<u>14,775</u>	<u>3,000</u>	<u>14,775</u>
Amounts repayable:				
In one year or less	11,775	3,700	11,775	3,700
In more than one year but not more than two years	2,000	11,775	2,000	11,775
In more than two years but not more than five years	1,000	3,000	1,000	3,000
	<u>14,775</u>	<u>18,475</u>	<u>14,775</u>	<u>18,475</u>

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.

17. Accruals and deferred income

	2005	Group	2005	Company
	£000	2004	£000	2004
		£000		£000
Deferred government grants:				
At 1 January	165	206	165	206
Received in year	99	-	99	-
Released in year	(50)	(41)	(50)	(41)
At 31 December	<u>214</u>	<u>165</u>	<u>214</u>	<u>165</u>

Notes to the financial statements

at 31 December 2005

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts payable:				
Within one year	133	111	133	111
In two to five years	71	79	71	79
	<u>204</u>	<u>190</u>	<u>204</u>	<u>190</u>
Less: finance charges allocated to future periods	(15)	(19)	(15)	(19)
	<u>189</u>	<u>171</u>	<u>189</u>	<u>171</u>

Finance leases and hire purchase contracts are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£000	£000	£000	£000
Current obligations (note 14)	123	101	123	101
Non-current obligations (note 15)	66	70	66	70
	<u>189</u>	<u>171</u>	<u>189</u>	<u>171</u>

19. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2005	2004	2005	2004
	No	No	£000	£000
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

20. Profit and loss account

	<i>Group</i>	<i>Company</i>	<i>Subsidiaries</i>
	£000	£000	£000
As at 1 January 2005 - restated	(26,356)	(20,393)	(5,963)
Profit for the year	6,985	5,772	1,213
Actuarial loss net of tax thereon	(504)	(504)	-
As at 31 December 2005	<u>(19,875)</u>	<u>(15,125)</u>	<u>(4,750)</u>

The company has not presented its own profit and loss account for the year ended 31 December 2005. Of the group profit for the financial year, a profit of £5,772,000 (2004 – restated profit of £1,931,000) has been dealt with in the financial statements of the company.

Notes to the financial statements

at 31 December 2005

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

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
<i>Group</i>				
At 1 January 2004				
As previously reported	21,400	1,600	(28,110)	(5,110)
Prior year adjustment	-	-	(46)	(46)
As restated	21,400	1,600	(28,156)	(5,156)
Profit for the year	-	-	2,049	2,049
Actuarial loss net of tax thereon	-	-	(249)	(249)
At 1 January 2005				
As previously reported	21,400	1,600	(26,104)	(3,104)
Prior year adjustment	-	-	(252)	(252)
As restated	21,400	1,600	(26,356)	(3,356)
Profit for the year	-	-	6,985	6,985
Actuarial loss net of tax thereon	-	-	(504)	(504)
At 31 December 2005	21,400	1,600	(19,875)	3,125

Notes to the financial statements

at 31 December 2005

21. Reconciliation of equity shareholders' funds and movements on reserves (contd)

<i>Company</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2004				
As previously reported	21,400	1,600	(22,029)	971
Prior year adjustment	-	-	(46)	(46)
As restated	21,400	1,600	(22,075)	925
Profit for the year	-	-	1,931	1,931
Actuarial loss net of tax thereon	-	-	(249)	(249)
At 1 January 2005				
As previously reported	21,400	1,600	(20,141)	2,859
Prior year adjustment	-	-	(252)	(252)
As restated	21,400	1,600	(20,393)	2,607
Profit for the year	-	-	5,772	5,772
Actuarial loss net of tax thereon	-	-	(504)	(504)
At 31 December 2005	21,400	1,600	(15,125)	7,875

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £582,000 (2004 - £284,000) for the group and the company.

Notes to the financial statements

at 31 December 2005

23. Pension scheme

The disclosures required by FRS17 are detailed below.

The formal valuation of the Scheme at 31 December 2002 was updated, allowing for the change in assumptions, to 31 December 2005 by an independent qualified actuary.

The major financial assumptions used by the actuary for the purposes of FRS 17 were:

	31 December 2005	31 December 2004	31 December 2003
Rate of increase in salaries	3.00%	2.75%	2.50%
Rates of increase to pensions in payment:			
Pension accrued pre 1 March 2002	3.00%	3.00%	3.00%
Pension accrued post 1 March 2002	3.00%	2.75%	2.50%
Discount rate	4.90%	5.50%	5.70%
Inflation assumption	3.00%	2.75%	2.50%

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

	Long term rate of return expected at 31 December 2005 %	Value at 31 December 2005 £000	Long term rate of return expected at 31 December 2004 %	Value at 31 December 2004 £000	Long term rate of return expected at 31 December 2003 %	Value at 31 December 2003 £000
Equities	6.50	3,627	7.00	2,868	7.25	2,345
Corporate bonds	4.90	640	5.25	506	5.50	412
Other	4.50	195	4.75	33	3.75	34
Total market value of assets		4,462		3,407		2,791
Present value of scheme liabilities		(5,408)		(3,767)		(2,856)
Deficit in the scheme		(946)		(360)		(65)
Related deferred tax asset		284		108		19
Net pension liability		(662)		(252)		(46)

Notes to the financial statements

at 31 December 2005

23. Pension scheme (continued)

Analysis of amount charged to operating profit

	31 December 2005 £000	31 December 2004 £000
Current service cost	268	210
Past service cost	-	-
Total operating charge	268	210

Analysis of amount credited to other finance income

	31 December 2005 £000	31 December 2004 £000
Expected return on pension scheme assets	242	203
Interest on pension scheme liabilities	(214)	(170)
Net return	28	33

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

	31 December 2005 £000	31 December 2004 £000
Actual return less expected return on pension scheme assets	381	142
Experienced gains/(losses) arising on the scheme liabilities	164	(68)
Changes in assumptions underlying the present value of the scheme liabilities	(1,265)	(429)
Actuarial loss recognised in STRGL	(720)	(355)

Notes to the financial statements

at 31 December 2005

23. Pension scheme (continued)

Movements in the surplus during the period

	31 December 2005 £000	31 December 2004 £000
Deficit in scheme at the beginning of the period	(360)	(65)
Movements in the year:		
Current service cost	(268)	(210)
Contributions	374	237
Other financial income	28	33
Actuarial (loss)	(720)	(355)
Deficit in scheme at the end of the year	(946)	(360)

The company contributed to the Scheme at a rate of 11.3% of pensionable salaries over the year plus an extra contribution of £150,000 at the end of December 2005. The current contribution rate will be reviewed at the formal valuation dated at 31 December 2005.

New members are only admitted to the Scheme at the Company's discretion. As such, the current service cost, as a percentage of pensionable salary, will increase as members approach retirement.

History of experience gains and losses

	31 December 2005 £000	31 December 2004 £000	31 December 2003 £000
Difference between expected and actual return on the scheme assets:			
Amount (£000)	381	142	247
Percentage of scheme assets	9%	4%	9%
Experience gains/(losses) on scheme liabilities:			
Amount (£000)	164	(68)	24
Percentage of the present value of scheme liabilities	3%	(2%)	1%
Total amount recognised in statement of total recognised gains and losses:			
Amount (£000)	(720)	(355)	107
Percentage of the present value of scheme liabilities	(13%)	(9%)	4%

24. Other financial commitments

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as set out below:

Group	2005 £000	Other 2004 £000
Operating leases which expire:		
In two to five years	1,691	1,471

Notes to the financial statements

at 31 December 2005

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 Leroy Hallvard AS:

	2005	2004
	£000	£000
Turnover	21,732	33,448
Cost of sales	817	697

At the balance sheet date the amount due from Leroy Hallvard AS was £1,737,000 (2004 - £1,936,000) and an amount due to Hallvard Leroy AS of £47,000 (2004 - £1000).

- ii) During the year, the group acquired plant and equipment in the normal course of business from Salmar AS, one of its ultimate parent undertakings. The price charged was on an arm's length basis. The amount included within tangible fixed assets is £130,000. At the balance sheet date, the amount due to Salmar AS was £9,000 (2004 - £77,000).
- iii) 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.