

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2009

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COMPANIES HOUSE

Scottish Sea Farms Limited

Registered No 958001

Directors

Leif-Inge Nordhammer
Alf-Helge Aarskog
Gustave Witzoe
Jim F Gallagher
John Rea
Helge Singlestad

Secretary

D Anderson

Auditors

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

Bankers

DnB Nor 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
4th Floor
Equitable House
47 King William Street
London
EC4R 9AF

Directors' report

Registered No 958001

The directors present their report and the group financial statements for the year ended 31 December 2009

2009 has been one of the most traumatic years in Scottish Sea Farms history with the tragic accident we had at our Creran site on the 11th May. We lost two dear friends in Maarten and Robert and their absence has affected the lives of many, our thoughts and sympathies remain with their families and friends.

SSF have lost other good friends this year who are sincerely missed and our thoughts continue to be with their families.

Principal activity and review of the business

The principal activity of the group continued to be the farming of Scottish Atlantic salmon.

The group has achieved a satisfactory result for the year to 31st December 2009.

Group turnover was £93,968,000, an increase of £19,251,000 on 2008.

Group operating profit was £16,333,000.

We consider that the company is well placed in the salmon farming industry against a background of a challenging global environment. We are mindful of the biological risks associated with salmon farming and have a stocking strategy to combat this.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

	<u>2009</u>	<u>2008</u>	
Profit margin	16.2%	3.7%	Profit before tax/turnover
Current ratio	1.64	1.52	Current assets / Current liabilities

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 and, demonstrating our ongoing commitment to this, during 2009 the company had our "Investors In People" accreditation recertified. 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 have identified targets and objectives for continuous improvement within 2010.

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

Results and dividends

The profit for the year, after taxation, amounts to £11,031,000 (2008: £2,058,000) and is dealt with as shown in the consolidated profit and loss account. A dividend of £10,000,000 has been paid in the year.

Directors' report

Registered No 958001

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 at year-end were those listed on page 1

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 2009, the company had an average of 50 days purchases outstanding in trade creditors

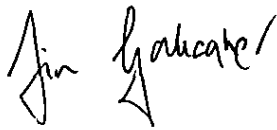
Directors' report

Registered No 958001

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the groups auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/ herself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the board



J F Gallagher
Director

10th February 2010.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company 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 of Scottish Sea Farms Limited for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated statement of total recognized gains and losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

James Andrew Bishop (Senior statutory auditor)
For and on behalf of Ernst & Young LLP Statutory auditor
Registered Auditor
Glasgow

10 February 2010

Group profit and loss account

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Turnover	2	93 968	74,717
Cost of sales		(69,023)	(63,782)
Gross profit		24,945	10,935
Distribution costs		(4 649)	(4 135)
Administrative expenses		(3 963)	(1 574)
Group operating profit	3	16,333	5,226
Interest payable	6	(1,112)	(2,504)
Other finance (charge)/income	7	(28)	62
Profit on ordinary activities before taxation		15,193	2,784
Tax on profit on ordinary activities	8(a)	(4,162)	(726)
Profit for the financial year	20 & 21	11,031	2,058

Group statement of total recognised gains and losses

for the year ended 31 December 2009

		2009 £000	2008 £000
Profit for the financial year		11 031	2,058
Actuarial loss	23	(902)	(306)
Deferred tax on actuarial loss	8(d)	253	86
Total gains and losses against recognised since last annual report		10,382	1,838

Group balance sheet

at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	9	7,417	7,665
Tangible assets	10	21,771	22,363
		<u>29,188</u>	<u>30,028</u>
Current assets			
Stocks	12	46,075	44,017
Debtors	13	11,798	9,690
Cash at bank and in hand		2	2
		<u>57,875</u>	<u>53,709</u>
Creditors amounts falling due within one year	14	(33,574)	(35,431)
Net current assets		<u>24,301</u>	<u>18,278</u>
Total assets less current liabilities		<u>53,489</u>	<u>48,306</u>
Creditors amounts falling due after more than one year	15	(27,150)	(22,636)
Provisions for liabilities and charges	8(d)	(943)	(910)
Accruals and deferred income	17	(849)	(1,060)
Net assets excluding retirement benefits		<u>24,547</u>	<u>23,700</u>
Retirement benefit liability	23	(485)	(20)
Net assets including retirement benefits		<u>24,062</u>	<u>23,680</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	1,062	680
Equity shareholders' funds		<u>24,062</u>	<u>23,680</u>



J F Gallagher
Director

10 February

2010

Company balance sheet

at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	9	7,338	7,544
Tangible assets	10	17,347	18,090
Investments	11	6,500	6,500
		<u>31,185</u>	<u>32,134</u>
Current assets			
Stocks	12	39,806	38,714
Debtors	13	13,164	9,940
Cash at bank and in hand		2	2
		<u>52,972</u>	<u>48,656</u>
Creditors amounts falling due within one year	14	(31,687)	(34,083)
Net current assets		<u>21,285</u>	<u>14,573</u>
Total assets less current liabilities		<u>52,470</u>	<u>46,707</u>
Creditors: amounts falling due after more than one year	15	(27,150)	(22,636)
Provisions for liabilities and charges	8 (d)	(893)	(801)
Accruals and deferred income	17	(849)	(1,060)
Net assets excluding retirement benefits		<u>23,578</u>	<u>22,210</u>
Retirement benefit liability	23	(485)	(20)
Net assets including retirement benefits		<u>23,093</u>	<u>22,190</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	93	(810)
Equity shareholders' funds		<u>23,093</u>	<u>22,190</u>

J F Gallagher
Director

10 February

2010

Notes to the financial statements

at 31 December 2009

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.

The company has invoked the true and fair override provisions of the Companies Act 2006, as described in the goodwill note below.

Basis of consolidation

The group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 31 December 2009. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

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	-	4 - 10 years
Motor vehicles	-	3 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 to 15 years commencing in the year of acquisition. 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 on-growing 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 2009

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 2009

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)

	2009 £000	2008 £000
Depreciation of owned assets	4,240	2,944
Depreciation of assets held under finance leases and hire purchase contracts	460	529
	<u>4,700</u>	<u>3,473</u>
Directors' remuneration	335	291
Auditors' remuneration		
- audit services	36	38
- non audit services		
Taxation	58	14
Pension	5	-
Hire of plant and equipment	3,661	3,050
Government grants released	(211)	(118)
Amortisation of goodwill	564	385
Exchange loss	9	11
Gain on sale of fixed assets	(43)	(128)
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2009

4 Directors' remuneration

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Emoluments	335	291
	<u> </u>	<u> </u>
	<i>2009</i>	<i>2008</i>
	<i>No</i>	<i>No</i>
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 2009 were £207,000 (2008 - £183,000). He was a member of the group's defined benefit pension scheme and his accrued pension at 31 December 2009 was £24,000.

Pension contributions for the highest paid director amounted to £24,000 (2008 - £22,000).

5. Staff costs

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	8,780	7 927
Social security costs	775	680
Other pension costs	538	514
	<u>10 093</u>	<u>9,121</u>
	<u> </u>	<u> </u>

The average number of persons employed by the group, including directors, was made up as follows

	<i>2009</i>	<i>2008</i>
	<i>No</i>	<i>No</i>
Production	327	304
Administration	27	25
	<u>354</u>	<u>329</u>
	<u> </u>	<u> </u>

6. Interest payable

	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Bank loan interest	725	1,268
Bank overdraft interest	387	1,236
	<u>1 112</u>	<u>2 504</u>
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2009

7. Other finance income

	2009 £000	2008 £000
Interest on pension scheme liabilities	(312)	(327)
Expected return on pension scheme assets	284	389
	<u>(28)</u>	<u>62</u>

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax credit is made up as follows

	Note	2009 £000	2008 £000
UK corporation tax			
UK corporation tax on profits for year		4 189	655
Tax overprovided in previous years		(141)	(154)
	8(b)	<u>4 048</u>	<u>501</u>
Deferred tax			
Originating and reversal of timing differences	8(d)	116	225
Effect of changes in tax rates on opening liability		(2)	-
		<u>4 162</u>	<u>726</u>

(b) Factors affecting the current tax charge

Group

	Note	2009 £000	2008 £000
Profit on ordinary activities before tax		15,193	2 784
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28%)		<u>4 254</u>	<u>780</u>
Effect of			
Disallowed expenses and non-taxable income		230	152
Fixed asset timing differences		14	(160)
Other timing differences		(91)	109
Tax overprovided in previous years		(141)	(154)
Pension provision		(72)	(79)
Capital grants		-	(160)
Unrelieved tax losses utilised		(186)	-
Others		(4)	-
Rollover /Holdover gains		44	-
Effect of average corporation tax rate in period		-	13
	8(a)	<u>4,048</u>	<u>501</u>

Notes to the financial statements

at 31 December 2009

8. Taxation (continued)

(c) Factors that may affect future tax charges

The group has tax losses accelerated capital allowances and other timing differences of approximately £3,989,000 (2008 - £4,846,000), which are available indefinitely for offset against future taxable profits

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	1,137	1,127	1,131	1,105
Other timing differences	(238)	(304)	(238)	(304)
Capital gains	44	87	-	-
	<u>943</u>	<u>910</u>	<u>893</u>	<u>801</u>
Netted off against pension scheme liability				
Pension scheme asset	(189)	(8)	(189)	(8)
	<u>754</u>	<u>902</u>	<u>704</u>	<u>793</u>

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
At 1 January 2009	902	793
Credit for year	127	170
Adjustment in respect of prior years	(22)	(6)
Statement of Total Recognised Gains and Losses	(253)	(253)
At 31 December 2009	<u>754</u>	<u>704</u>

All the deferred tax balances above are stated at 28% (2008 - 28%)

Notes to the financial statements

at 31 December 2009

9. Intangible fixed assets

	<i>Group goodwill £000</i>	<i>Company goodwill £000</i>
Cost		
At 1 January 2009	8 714	8 223
Additions	316	316
At 31 December 2009	<u>9,030</u>	<u>8,539</u>
Amortisation		
At 1 January 2009	1,049	679
Provided during the year	564	522
At 31 December 2009	<u>1,613</u>	<u>1 201</u>
Net book value		
At 31 December 2009	<u>7,417</u>	<u>7,338</u>
At 1 January 2009	<u>7,665</u>	<u>7,544</u>

Goodwill is being amortised in equal annual instalments over its estimated economic life of 15 years

Notes to the financial statements

at 31 December 2009

10. Tangible assets

<i>Group</i>	<i>At 1 January 2009 £000</i>	<i>Additions £000</i>	<i>Acquisition of subsidiary undertaking £000</i>	<i>Disposals £000</i>	<i>At 31 December 2009 £000</i>
At cost					
Freehold land and buildings	5 441	114	-	-	5,555
Buildings on leasehold land	1,099	-	-	-	1,099
Machinery and equipment	57,743	3,864	-	(91)	61,516
Motor vehicles	1,055	130	-	(27)	1,158
	<u>65,338</u>	<u>4,108</u>	<u>-</u>	<u>(118)</u>	<u>69,328</u>
Depreciation					
Freehold land and buildings	1 526	234	-	-	1 760
Buildings on leasehold land	1,099	-	-	-	1,099
Machinery and equipment	39,455	4,216	-	(91)	43,580
Motor vehicles	895	250	-	(27)	1 118
	<u>42,975</u>	<u>4,700</u>	<u>-</u>	<u>(118)</u>	<u>47,557</u>
Net book value	<u>22,363</u>				<u>21,771</u>

The net book value of machinery and equipment and motor vehicles includes £1,568,000 (2008 - £1,001,000) and £139,000 (2008 - £179,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2009

10. Tangible assets (continued)

<i>Company</i>	<i>At 1 January 2009 £000</i>	<i>Additions £000</i>	<i>Acquisition of subsidiary undertaking £000</i>	<i>Disposals £000</i>	<i>At 31 December 2009 £000</i>
At cost					
Freehold land and buildings	2,794	114	-	-	2,908
Buildings on leasehold land	1,099	-	-	-	1,099
Machinery and equipment	50,745	3,062	-	(91)	53,716
Motor vehicles	1,024	115	-	(27)	1,112
	<u>55,662</u>	<u>3,291</u>	<u>-</u>	<u>(118)</u>	<u>58,835</u>
Depreciation					
Freehold land and buildings	1,502	207	-	-	1,709
Buildings on leasehold land	1,099	-	-	-	1,099
Machinery and equipment	34,257	3,589	-	(91)	37,755
Motor vehicles	714	238	-	(27)	925
	<u>37,572</u>	<u>4,034</u>	<u>-</u>	<u>(118)</u>	<u>41,488</u>
Net book value	<u>18,090</u>				<u>17,347</u>

The net book value of machinery and equipment and motor vehicles includes £1,473,000 (2008 - £1,001,000) and £134,000 (2008 - £179,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2009

11. Investments

Company

	<i>Subsidiary Undertakings 2009 £000</i>	<i>Subsidiary Undertakings 2008 £000</i>
<i>Cost</i>		
At 1 January and 31 December 2009	6 500	6,500

Subsidiary undertakings

	<i>Class of shares</i>	<i>Country of incorporation</i>	<i>Proportion held</i>
Ettrick Trout Co Ltd	Ordinary £1	Scotland	100%
Orkney Sea Farms Ltd*	Ordinary £1	Scotland	100%
Terregles Salmon Company Ltd*	Ordinary £1	Scotland	100%

The above companies' principal activity is the farming and sale of salmon

The companies listed below are dormant

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%
Kerrera Fisheries Limited	Ordinary £1	Scotland	100%
MJM (Salmon) Ltd	Ordinary £1	Scotland	100%
Dury Salmon Ltd	Ordinary £1	Scotland	100%

* Held by a subsidiary undertaking

Notes to the financial statements

at 31 December 2009

12. Stocks

	2009	Group 2008	2009	Company 2008
	£000	£000	£000	£000
Materials and feed	1,444	1,438	1,348	1,330
Ongrowing fish	44,631	42,579	38,458	37,384
	<u>46,075</u>	<u>44,017</u>	<u>39,806</u>	<u>38,714</u>

13. Debtors

	2009	Group 2008	2009	Company 2008
	£000	£000	£000	£000
Trade debtors	6,128	5,688	6,128	5,688
Prepayments and accrued income	720	1,099	633	1,080
Amounts owed by group undertakings	4,445	2,476	5,936	2,745
Other debtors	505	310	467	310
Corporation tax recoverable	-	117	-	117
	<u>11,798</u>	<u>9,690</u>	<u>13,164</u>	<u>9,940</u>

14. Creditors: amounts falling due within one year

	2009	Group 2008	2009	Company 2008
	£000	£000	£000	£000
Bank loans (note 16)	2,400	2,400	2,400	2,400
Bank overdraft	12,355	16,589	12,355	16,589
Non secured loans	750	750	750	750
Trade creditors	11,227	12,732	9,813	11,474
Social security	498	306	498	306
Corporation tax payable	3,348	-	3,304	-
Accruals and deferred income	2,320	1,888	1,891	1,798
Obligations under finance leases and hire purchase contracts (note 18)	676	732	676	732
Amounts owed to group companies	-	34	-	34
	<u>33,574</u>	<u>35,431</u>	<u>31,687</u>	<u>34,083</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.

Notes to the financial statements

at 31 December 2009

15. Creditors amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (note 16)	26,000	20,400	26,000	20,400
Non secured loans	953	1,702	953	1,702
Obligations under finance leases and hire purchase contracts (note 18)	197	534	197	534
	<u>27,150</u>	<u>22,636</u>	<u>27,150</u>	<u>22,636</u>

16. Bank loans

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not wholly repayable within five years				
£24 million bank loan	20,400	22,800	20,400	22,800
£8 million bank loan (see below)	8,000	-	8,000	-
	<u>28,400</u>	<u>22,800</u>	<u>28,400</u>	<u>22,800</u>
Less included in creditors amounts falling due within one year (note 14)	2,400	2,400	2,400	2,400
	<u>26,000</u>	<u>20,400</u>	<u>26,000</u>	<u>20,400</u>
Amounts falling due after one year (note 15)				
Amounts repayable				
Within one year	2,400	2,400	2,400	2,400
In two to five years	13,100	9,600	13,100	9,600
In over five years	12,900	10,800	12,900	10,800
	<u>28,400</u>	<u>22,800</u>	<u>28,400</u>	<u>22,800</u>

In March and June 2009 the group utilised an £8m loan option

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.

Notes to the financial statements

at 31 December 2009

17 Accruals and deferred income

	<i>Group</i>		<i>Company</i>	
	2009	2008	2009	2008
	£000	£000	£000	£000
Deferred government grants				
At 1 January	1 060	617	1 060	583
Received in year	-	561	-	561
Released in year	(211)	(118)	(211)	(118)
Transfer from subsidiary undertaking	-	-	-	34
At 31 December	849	1,060	849	1 060

18 Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	<i>Group</i>		<i>Company</i>	
	2009	2008	2009	2008
	£000	£000	£000	£000
Amounts payable				
Within one year	716	785	716	785
In two to five years	209	573	209	573
	925	1,358	925	1,358
Less finance charges allocated to future periods	(52)	(92)	(52)	(92)
	873	1,266	873	1 266

Finance leases and hire purchase contracts are analysed as follows

	<i>Group</i>		<i>Company</i>	
	2009	2008	2009	2008
	£000	£000	£000	£000
Current obligations (note 14)	676	732	676	732
Non-current obligations (note 15)	197	534	197	534
	873	1,266	873	1,266

19. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2009	2008	2009	2008
	No	No		£000
Ordinary shares of £1 each	21 400.000	21,400 000	21 400	21 400

Notes to the financial statements

at 31 December 2009

20. Profit and loss account

	<i>Group</i> <i>£000</i>	<i>Company</i> <i>£000</i>
As at 1 January 2009	680	(810)
Profit for the year	11 031	11,552
Actuarial loss net of tax thereon	(649)	(649)
Dividend paid	(10,000)	(10,000)
As at 31 December 2009	<u>1 062</u>	<u>93</u>

The company has not presented its own profit and loss account for the year ended 31 December 2009. Of the group profit for the financial year, a profit of £11,552,000 (2008 – loss of £322,000) has been dealt with in the financial statements of the company.

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 2009	21,400	1,600	680	23,680
Profit for the year	-	-	11 031	11 031
Actuarial loss net of tax thereon	-	-	(649)	(649)
Dividend paid	-	-	(10,000)	(10,000)
At 31 December 2009	<u>21,400</u>	<u>1,600</u>	<u>1 062</u>	<u>24 062</u>

An equity dividend of £0.47 per share was paid in the year (2008 - £nil)

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
<i>Company</i>				
At 1 January 2009	21 400	1,600	(810)	22,190
Profit for the year	-	-	11 552	11,552
Actuarial loss net of tax thereon	-	-	(649)	(649)
Dividend paid	-	-	(10 000)	(10,000)
At 31 December 2009	<u>21 400</u>	<u>1,600</u>	<u>93</u>	<u>23,093</u>

An equity dividend of £0.47 per share was paid in the year (2008 - £nil)

Notes to the financial statements

at 31 December 2009

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £179 000 (2008 - £567 000) for the group and the company

23. Pension scheme

FRS17 disclosures

The company sponsors the Scottish Sea Farms Defined Benefit Pension Scheme. The company took the decision to close the scheme to future accrual with effect from midnight on 31 December 2009. From 1 January 2010 members will be offered membership of the Company's Group Personal Pension Plan and no further defined benefits will accrue. A valuation of the scheme for FRS 17 purposes was carried out by a qualified independent actuary as at 31 December 2009.

The contributions made by the employer over the financial year have been £484,000. The contribution rate payable by the employer from 1 January 2009 is 18.1% of pensionable salaries.

The assets and liabilities of the scheme at 31 December 2009 are

Scheme assets at fair value

	2009 £000	2008 £000
Equities	5,218	3,671
Bonds	811	663
Cash	320	202
Fair value of scheme assets	6,349	4,536
Present value of scheme liabilities	(7,023)	(4,564)
Defined benefit pension scheme deficit	(674)	(28)
Related deferred tax asset	189	8
Net deficit on the balance sheet	(485)	(20)

The fair value of the assets of the scheme at 31 December 2009 relates wholly to equities and fixed interest bonds and cash.

The movements in assets and liabilities in the year are as follows

Change in benefit obligation.

	£000
Benefit obligation at beginning of the year	4,564
Interest cost	312
Current service cost	200
Contributions by the scheme participants	143
Benefits paid	(24)
Actuarial gains	1,828
Benefit obligation at 31 December 2009	7,023

Notes to the financial statements

at 31 December 2009

23. Pension scheme (continued)

Change in scheme assets

	£000
Fair value of scheme assets at beginning of the year	4,536
Expected return on scheme assets	284
Contributions by employer	484
Contributions by the scheme participants	143
Benefits paid	(24)
Actuarial gains	926
Fair value of scheme assets at 31 December 2009	6,349
Net amount recognised	(674)

The actual return on scheme assets during 2009 was £1,210,000

The amount recognised in the group profit and loss account, and in the group statement of total recognised gains and losses for the year is analysed as follows

Recognised in the profit and loss account

	2009 £000	2008 £000
Current service cost	200	298
Expected return on pension scheme assets	(284)	(389)
Interest on pension obligation	312	327
Net return	28	(62)

Taken to the statement of total recognised gains and losses

	2009 £000	2008 £000
Actual return less expected return on scheme assets	926	(2 045)
Experienced gains arising on the scheme liabilities	(38)	10
Changes in assumptions underlying the present value of the scheme liabilities	(1,790)	1,729
Actuarial losses recognised in the statement of total recognised gains and losses	(902)	(306)

Notes to the financial statements

at 31 December 2009

23 Pension scheme (continued)

Main assumptions

Rate of increase in deferred pensions	3.50%	3.25%
Rate of increase in pensions in deferment	3.50%	3.25%
Discount rate	5.70%	6.70%
Inflation assumption	3.50%	3.25%
Expected rates of return on scheme assets		
Equities	6.75%	6.0%
Bonds	5.7%	6.7%
Cash	0.5%	2.0%

The post retirement mortality assumption has been adopted as was used at 31 December 2008 i.e. the 2000 series tables with a 40% uplift to the base qx rates and future improvements in line with year of birth medium cohort projections including a 1% p.a. minimum underpin. These tables correspond to life expectancies from age 65 as follows

	Male	Female
Member currently aged 65	19.4	21.9
Member currently aged 65	21.3	23.7

In addition, an allowance was made for members to choose to commute 25% of their pension entitlement for a tax-free cash lump sum at retirement (2008: 25%)

Five year history

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
Fair value of scheme assets	4,462	5,457	5,644	4,536	6,349
Present value of defined benefit obligation (5,408)		(5,580)	(5,609)	(4,564)	(7,023)
(Deficit)/surplus in the scheme	(946)	(123)	35	(28)	(674)
Difference between actual and expected return on scheme assets	381	203	(252)	(2,045)	926
Experience gains and (losses) on scheme liabilities	164	188	21	10	(38)

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2009 amounted to £5,000.

Notes to the financial statements

at 31 December 2009

24. Other financial commitments

As at 31 December 2009 the group had annual commitments under non-cancellable operating leases as set out below

	2009	2008
	£000	£000
Operating leases which expire In two to five years	2,352	1,920

25 Related parties

- i) During the year, the group bought and sold fish in the normal course of business from/to Hallvard Leroy AS a subsidiary of 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 Hallvard Leroy AS

	2009	2008
	£000	£000
Turnover	38,094	14,016
Cost of sales	1,051	529

At the balance sheet date the amount due from Hallvard Leroy AS was £4,202,000 (2008 - £2,477,000) and an amount due to Hallvard Leroy AS of £38,000 (2008 - £16,000)

- ii) There have been other intra group transactions but these have not been disclosed due to the exemption for 90% subsidiaries contained in Financial Reporting Statement No 8

26. Parent undertakings and controlling parties

In the opinion of the directors, the company's immediate parent undertaking is Norskott Havbruk AS, incorporated in Norway. It will include the company in its group financial statements, copies of which will be available from its registered office Bontelabo 2, 5020 Bergen, Norway.

In the opinion of the directors, the company's ultimate parent undertakings and controlling parties are Leroy Seafood Group ASA and Salmar AS, both companies incorporated in Norway. Copies of their group financial statements, which include the company, are available from PO Box 7600 N-5020 Bergen, Norway, and N-216 Kverva, Norway respectively.