Registered Number 958001

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2012

Scottish Sea Farms Limited

Registered No 958001

Directors

Leif-Inge Nordhammer
Gustave Witzoe
Jim F Gallagher
John Rea
Helge Singlestad
Henning Beltestad

Secretary

D Anderson

Auditors

Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

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 2012

Principal activity and review of the business

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

The group has achieved a satisfactory result for the year to 31 December 2012

Group turnover was £102,296,000, an increase of £13,575 000 on 2011

Group operating profit was £5,455 000 a decrease of £7 797 000 on 2011

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

	2012	2011	
Profit margin	4 6%	14 3%	Profit before tax/turnover
Current ratio	1 45	1 50	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 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 2013

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 £3,375,000 (2011 £9,035,000) and is dealt with as shown in the group profit and loss account

No dividend has been declared during the year (2011 £15,000 000)

Directors' report (continued)

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

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the Directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis

The group's business activities, a review of the business, together with key performance indicators are outlined above

After making suitable enquiries, the Directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

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

Directors' report

Registered No: 958001

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 2012, the company had an average of 56 days purchases outstanding in trade creditors

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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the board

Jim F Gallagher

J F Gallagher
Director

11 February 2013

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 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 financial statements of Scottish Sea Farms Limited for the year ended 31 December 2012 which comprise the Group Profit and Loss account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets 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 Chapter 3 of Part 16 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 auditor

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 and express an opinion on 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 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 group's and the parent 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 In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 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

Independent auditors' report

to the members of Scottish Sea Farms Limited (continued)

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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
Glasgow

11 February 2013

Group profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	102,296	88,721
Cost of sales		(91,407)	(70,811)
Gross profit		10,889	17,910
Distribution costs		(2,975)	(2,046)
Administrative expenses		(2,459)	(2,612)
Group operating profit	3	5,455	13,252
Interest payable	6	(766)	(653)
Other finance income	7	7	46
Profit on ordinary activities before taxation		4,696	12,645
Tax on profit on ordinary activities	8(a)	(1,321)	(3,610)
Profit for the financial year	20 & 21	3,375	9,035

All the above relate to continuing operations

Group statement of total recognised gains and losses

for the year ended 31 December 2012

		2012 £000	2011 £000
Profit for the financial year		3,375	9,035
Actuarial loss on defined benefit pension scheme, net of taxation	23	-	(427)
Total recognised gains and losses relating to the year		3,375	8,608

Group balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	9	5,829	6,303
Tangible assets	10	22,621	21,189
		28,450	27,492
Current assets			
Stocks	12	56,848	56,212
Debtors	13	9,489	12,239
Cash at bank and in hand		2,270	1,064
		68,607	69,515
Creditors amounts falling due within one year	14	(47,348)	(46,361)
Net current assets		21,259	23,154
Total assets less current liabilities		49,709	50,646
Creditors amounts falling due after more than one year	15	(16,730)	(20,455)
Provisions for liabilities and charges	8(d)	(152)	(492)
Accruals and deferred income	17	(280)	(527)
Net assets excluding retirement benefits		32,547	29,172
Retirement benefit	23	-	
Net assets		32,547	29,172
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	9,547	6,172
Equity shareholders' funds		32,547	29,172

The financial statements were approved by the board of directors and signed on its behalf by

Jim F Gallagher

J F Gallagher
Director

11 February 2013

Company balance sheet
at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Intangible assets	9	5,826	6,280
Tangible assets	10	18,376	17,445
Investments	11	6,500	6,500
		30,702	30,225
Current assets			
Stocks	12	50,982	48,107
Debtors	13	9,476	12,171
Cash at bank and in hand		2,270	1,064
		62,728	61,342
Creditors: amounts falling due within one year	14	(50,569)	(46,218)
Net current assets		12,159	15,124
Total assets less current liabilities		42,861	45,349
Creditors: amounts falling due after more than one year	15	(16,730)	(20,455)
Provisions for liabilities and charges	8 (d)	(290)	(585)
Accruals and deferred income	17	(280)	(527)
Net assets excluding retirement benefits		25,561	23,782
Retirement benefit	23	-	-
Net assets		25,561	23,782
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	2,561	782
Equity shareholders' funds		25,561	23,782

The financial statements were approved by the board of directors and signed on its behalf by

J F Gallagher

J F Gallagher
Director

11 February 2013

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention The financial statements are prepared in accordance with applicable accounting standards

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 2012 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 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 2012

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

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant 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 2012

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 and processing 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)

	2012	*2011*
	£000	*£000*
Depreciation of owned assets	5,704	5,244
Depreciation of assets held under finance leases and hire purchase contracts	302	301
	6,006	5,545
Directors' remuneration	395	392
Auditors' remuneration		
- audit services	40	40
- non audit services		
Taxation	30	32
Pension	9	5
Hire of plant and equipment	4,645	4,985
Research and development	1,118	267
Government grants released	(247)	(116)
Amortisation of goodwill	559	549
Exchange loss	44	15
Gain on sale of fixed assets	(45)	(77)

Notes to the financial statements

at 31 December 2012

4. Directors' remuneration

	2012	*2011*
	£000	*£000*
Emoluments	395	392
Contributions paid into defined contributions pension scheme	27	27

	2012	*2011*
	No	*No*
Active members of defined benefit pension scheme	-	-
Active members of defined contributions pension scheme	2	2

The emoluments of the highest paid director for the year ended 31 December 2012 were £258,000 (2011 - £258,000) He was a deferred member of the group's defined benefit pension scheme and his accrued pension at 31 December 2012 was £27,000 Pension contributions for the highest paid director amounted to £18,000 (2011 - £18,000)

5 Staff costs

	2012	*2011*
	£000	*£000*
Wages and salaries	10,429	9,658
Social security costs	986	937
Other pension costs	233	227
	11,648	10,822

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

	2012	*2011*
	No	*No*
Production	346	330
Administration	30	28
	376	358

6. Interest payable

	2012	*2011*
	£000	*£000*
Bank loan interest	406	553
Bank overdraft interest	288	24
Finance charges payable under finance leases and hire purchase contracts	56	60
Other interest	16	16
	766	653

Notes to the financial statements

at 31 December 2012

7 Other finance income

	2012 £000	2011 £000
Interest on pension scheme liabilities	(372)	(418)
Expected return on pension scheme assets	379	464
	7	46

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax charge is made up as follows

	Note	2012 £000	2011 £000
UK corporation tax			
UK corporation tax on profits for year		1,676	3,863
Tax (over)/ under provided in previous years		(15)	1
	8(b)	1,661	3,864
Deferred tax			
Originating and reversal of timing differences	8(d)	(340)	(254)
		1,321	3,610

(b) Factors affecting the current tax charge

Group

	Note	2012 £000	2011 £000
Profit on ordinary activities before tax		4,696	12,645
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%)		1,151	3,351
Effect of			
Disallowed expenses and non-taxable income		221	313
Fixed asset timing differences		288	241
Other timing differences		44	(40)
Tax (over)/ under provided in previous years		(15)	1
Brought forward tax losses utilised		(28)	(26)
Rollover /Holdover gains		-	24
	8(a)	1,661	3,864

Notes to the financial statements

at 31 December 2012

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 £227,000 (2011 - £281,000), which are available indefinitely for offset against future taxable profits

Deferred tax impact of change in corporation tax rate

The government has announced that it intends to reduce the rate of UK corporation tax to 21% by 1 April 2014 The rate of corporation tax reduced from 28% to 26% on 1 April 2011 and a reduction to 24%, effective from 1 April 2012, was included in the Finance Bill that was enacted on 19 July 2012 A further reduction in the corporation tax rate to 23%, effective from 1 April 2013, was also included in the Finance Bill

The rate of 23% was enacted at the balance sheet date therefore deferred tax has been provided at this rate in these accounts

The effect of the reduction in tax rate from 23% to 21% on the group's deferred tax liability is £13k

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

		Group		*Company*
	2012	*2011*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	317	631	454	723
Other timing differences	(165)	(139)	(164)	(138)
	152	492	290	585

	Group	*Company*
	£000	*£000*
At 1 January 2012	492	585
Credit for year	(353)	(311)
Adjustment in respect of prior years	13	16
At 31 December 2012	152	290

All the deferred tax balances above are stated at 23% (2011 – 25%)

Notes to the financial statements

at 31 December 2012

9. Intangible fixed assets

	Group goodwill £000	Company goodwill £000
Cost		
At 1 January 2012	9,030	8,539
Additions	85	85
At 31 December 2012	9,115	8,624
Amortisation		
At 1 January 2012	2,727	2,259
Provided during the year	559	539
At 31 December 2012	3,286	2,798
Net book value		
At 31 December 2012	5,829	5,826
At 1 January 2012	6,303	6,280

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

10. Tangible fixed assets

Group

	Freehold land and buildings £000	Buildings on leasehold land £000	Machinery and equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2012	5,729	1,099	70,639	1,817	79,284
Additions	276	-	6,933	257	7,466
Disposals	-	-	(126)	(111)	(237)
At 31 December 2012	6,005	1,099	77,446	1,963	86,513
Depreciation					
At 1 January 2012	2,247	1,099	53,441	1,308	58,095
Provided during the year	243	-	5,478	285	6,006
Disposals	-	-	(98)	(111)	(209)
At 31 December 2012	2,490	1,099	58,821	1,482	63,892
Net book value					
At 31 December 2012	3,515	-	18,625	481	22,621
At 1 January 2012	3,482	-	17,198	509	21,189

The net book value of machinery and equipment and motor vehicles includes £838,000 (2011 - £1,044,000) and £356,000 (2011 - £415,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2012

10. Tangible assets (continued)

Company

	Freehold land and buildings £000	*Buildings on leasehold land £000*	*Machinery and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost					
At 1 January 2012	3,081	1,099	62,233	1,684	68,097
Additions	276	-	5,706	170	6,152
Disposals	-	-	(114)	(111)	(225)
At 31 December 2012	3,357	1,099	67,825	1,743	74,024
Depreciation					
At 1 January 2012	2,142	1,099	46,191	1,220	50,652
Provided during the year	216	-	4 721	258	5,195
Disposals	-	-	(88)	(111)	(199)
At 31 December 2012	2,358	1,099	50,824	1,367	55,648
Net Book Value					
At 31 December 2012	999	-	17,001	376	18,376
At 1 January 2012	939	-	16,042	464	17,445

The net book value of machinery and equipment and motor vehicles includes £838,000 (2011 - £983,000) and £318,000 (2011 - £391,000) respectively relating to assets held under finance leases and hire purchase contracts

Notes to the financial statements

at 31 December 2012

11. Investments

Company

	Subsidiary Undertakings 2012 £000	*Subsidiary Undertakings 2011 £000*
Cost		
At 1 January and 31 December	6,500	6,500

Subsidiary undertakings

	Class of shares	*Country of incorporation*	*Proportion held*
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%
Scottish Sea Farms Sales 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

12. Stocks

	Group 2012 £000	*Group 2011 £000*	*Company 2012 £000*	*Company 2011 £000*
Materials and feed	1,691	1,623	1,415	1,445
Ongrowing fish	55,157	54 589	49,567	46,662
	56,848	56,212	50,982	48,107

Notes to the financial statements
at 31 December 2012

13. Debtors

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Trade debtors	6 093	7,015	6 093	7 015
Prepayments and accrued income	480	1,200	470	1,187
Amounts owed by group undertakings	2 364	3 340	2,415	3 363
Other debtors	552	684	498	606
	9 489	12 239	9,476	12,171

14. Creditors: amounts falling due within one year

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Bank loans (note 16)	3 400	3 400	3 400	3 400
Bank overdraft	18,000	16 000	18,000	16,000
Non secured loans	563	750	563	750
Trade creditors	14 422	13,417	12 759	11,701
Social security	381	416	381	416
Corporation tax payable	2 114	2,089	1,466	1 791
Dividend payable	5 500	7,500	5 500	7 500
Accruals and deferred income	2 517	2 301	1,884	2 159
Obligations under finance leases and hire purchase contracts (note 18)	451	488	451	488
Amounts owed to subsidiary undertakings	-	-	6,165	2,013
	47 348	46 361	50 569	46,218

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

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Bank loans (note 16)	16,300	19,700	16,300	19 700
Non secured loans	15	15	15	15
Obligations under finance leases and hire purchase contracts (note 18)	415	740	415	740
	16 730	20 455	16 730	20 455

Notes to the financial statements

at 31 December 2012

16. Bank loans

	Group		Company	
	2012	*2011*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Not wholly repayable within five years				
£24 million bank loan	13,200	15,600	13,200	15,600
£8 million bank loan (see below)	6,500	7,500	6,500	7,500
	19,700	23,100	19,700	23,100
Less included in creditors amounts falling due within one year (note 14)	(3,400)	(3,400)	(3,400)	(3,400)
Amounts falling due after one year (note 15)	16,300	19,700	16,300	19,700
Amounts repayable				
Within one year	3,400	3,400	3,400	3,400
In two to five years	13,600	13 600	13,600	13,600
In over five years	2 700	6,100	2,700	6,100
	19,700	23,100	19,700	23,100

The £24 million bank loan is repayable in quarterly instalments of £600,000, with the final repayment due in June 2018

The £8 million bank loan is repayable in quarterly instalments of £250,000, with a final repayment of £1,250,000 due in June 2018

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

	Group		Company	
	2012	*2011*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Deferred government grants				
At 1 January	527	643	527	643
Released in year	(247)	(116)	(247)	(116)
At 31 December	280	527	280	527

Notes to the financial statements

at 31 December 2012

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

		Group		*Company*
	2012	*2011*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Amounts payable				
Within one year	478	518	478	518
In two to five years	440	787	440	787
	918	1,305	918	1,305
Less finance charges allocated to future periods	(52)	(77)	(52)	(77)
	866	1,228	866	1,228

Finance leases and hire purchase contracts are analysed as follows

		Group		*Company*
	2012	*2011*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*
Current obligations (note 14)	451	488	451	488
Non-current obligations (note 15)	415	740	415	740
	866	1,228	866	1,228

19. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2012	*2011*	*2012*	*2011*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

20. Profit and loss account

	Group	*Company*
	£000	*£000*
As at 1 January 2012	6,172	782
Profit for the year	3,375	1,779
As at 31 December 2012	9,547	2,561

The company has not presented its own profit and loss account for the year ended 31 December 2012 Of the group profit for the financial year, a profit of £1,779,000 (2011 – £8,580,000) has been dealt with in the financial statements of the company

Notes to the financial statements

at 31 December 2012

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

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 January 2011	21 400	1,600	12,564	35,564
Profit for the year	-	-	9,035	9,035
Actuarial gain net of tax thereon	-	-	(427)	(427)
Dividend paid/ proposed	-	-	(15 000)	(15,000)
At 1 January 2012	21,400	1,600	6,172	29,172
Profit for the year	-	-	3 375	3,375
At 31 December 2012	21,400	1,600	9 547	32,547

No equity dividend was paid in the year (2011 - £0 70)

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Company				
At 1 January 2011	21,400	1,600	8,056	31,056
Profit for the year	-	-	8,153	8,153
Actuarial loss net of tax thereon	-	-	(427)	(427)
Dividend paid	-	-	(15,000)	(15,000)
At 1 January 2012	21,400	1,600	782	23,782
Profit for the year	-	-	1,779	1,779
At 31 December 2012	21,400	1,600	2,561	25,561

No equity dividend was paid in the year (2011 - £0 70)

22 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £534,000 (2011 - £1,192,000) for the group and the company

Notes to the financial statements

at 31 December 2012

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 have been offered membership of the Company's Group Personal Pension Plan and no further defined benefits have accrued

A valuation of the scheme for FRS 17 purposes was carried out by a qualified independent actuary as at 31 December 2012 The valuation is based on projecting forward the results of the 28 February 2011 funding valuation, allowing for changes in financial conditions and making some allowance for membership movements Scheme assets are stated at their bid-market value at 31 December 2012

The contributions made by the employer over the financial year have been £ nil (2011 £514,000) The company does not expect to contribute to the pension scheme in 2013 In addition, all costs of administration are paid by the company

The assets and liabilities of the scheme at 31 December 2012 are

Scheme assets at fair value

	2012	*2011*
	£000	*£000*
Corporate Bonds	5,225	5,028
Government Bonds	5,264	5,017
Cash	9	2
Fair value of scheme assets	10,498	10,047
Present value of scheme liabilities	(9,355)	(7,985)
Defined benefit pension scheme surplus/ (deficit)	1,143	2,062
Effect of asset limitation	(1,143)	(2,062)
Net pension surplus on the balance sheet	-	-

The net surplus of £1,143,000 at 31 December 2012 (2011 £2 062,000) has not been incorporated into the financial statements as Scottish Sea Farms Limited as an employer, is not deemed to control or be able to benefit from the surplus, in line with paragraph 41 of Financial Reporting Standard No 17 ''Retirement Benefits''

The fair value of the assets of the scheme at 31 December 2012 relates wholly to corporate bonds, government bonds and cash

Notes to the financial statements

at 31 December 2012

23. Pension scheme (continued)

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

Change in benefit obligation:

	2012	*2011*
	£000	*£000*
Benefit obligation at beginning of the year	7,985	7,754
Interest cost	372	418
Benefits paid	(129)	(39)
Actuarial losses/ (gains)	1,127	(148)
Benefit obligation at 31 December	9,355	7,985

	£000	*£000*
Fair value of scheme assets at beginning of the year	10,047	7,770
Expected return on scheme assets	379	464
Contributions by employer	-	514
Benefits paid	(129)	(39)
Actuarial gains	201	1,338
Fair value of scheme assets at 31 December	10,498	10,047

Net amount recognised	nil	nil

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

	2012	*2011*
	£000	*£000*
Current service cost	-	-
Expected return on pension scheme assets	(379)	(464)
Interest on pension obligation	372	418
Net return	(7)	(46)

Notes to the financial statements

at 31 December 2012

23. Pension scheme (continued)

Taken to the statement of total recognised gains and losses

	2012 *£000*	*2011* *£000*
Actual return less expected return on scheme assets	201	1,338
Experienced gains arising on the scheme liabilities	-	377
Changes in assumptions underlying the present value of the scheme liabilities	(1,127)	(229)
Actuarial (loss)/ gain recognised in the statement of total recognised gains and losses	(926)	1,486
Effect of asset limitation under paragraph 41 of FRS 17	926	(2,062)
Total amount recognised in the statement of total recognised gains and losses	-	(576)

The cumulative amount recognised in the statement of total recognised gains and losses is (£1,723k)

Main assumptions

Rate of increase in deferred pensions accrued pre 1 March 2002	3 60%	3 20%
Rate of increase in deferred pensions accrued post 1 March 2002	2 90%	2 80%
Rate of increase in pensions in deferment	2 50%	2 30%
Discount rate	4 50%	4 70%
Inflation assumption - RPI	3 00%	2 80%
Inflation assumption - CPI	2 50%	2 30%

Expected rates of return on scheme assets

Corporate Bonds	4 10%	4 70%
Government Bonds	2 70%	2 80%
Cash	0 50%	0 50%

The expected return on assets assumptions have been set as follows

Expected return on gilts Long dated fixed interest gilt yield at 31 December 2012

Expected return on corporate bonds In line with the yield on over 15 year AA corporate bonds as at 31 December 2012

Expected return on cash In line with the Bank of England base rate at 31 December 2012

The actual return on scheme assets during 2012 was £580,000 (2011 £1 803,000)

Notes to the financial statements

at 31 December 2012

23. Pension scheme (continued)

Statutory pension increases or revaluations based on price inflation

The UK Government announced on 8 July 2010 that statutory pension increases or revaluations would be based on the Consumer Prices Index measure of price inflation from 2011 rather than the Retail Prices Index measure of price inflation

The accounting assumption for future revaluations in deferment has been changed to reflect CPI rather than RPI increases Future increases to pensions once in payment continue to reflect RPI increases

The same post retirement mortality base table assumption has been adopted as was used for the funding valuation at 28 February 2011 i e the S1NA tables with a 20% uplift to the base q_x rates The future improvements assumption has been updated to be in line with the CMI_2009 projection model with 1 25% per annum long term rate of improvement These tables correspond to life expectancies from age 65 as follows

	Male	Female
Member currently aged 65	20 8	23 0
Member currently aged 45	22 6	25 0

The pre-retirement mortality assumption is the same as that which was adopted for the most recent actuarial valuation i e the A92 tables with a -2 year age rating

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 using factors currently in force (2011 25%)

Five year history

	2008	*2009*	*2010*	*2011*	*2012*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	4 536	6 349	7 770	10 047	10 498
Present value of defined benefit obligation	(4 564)	(7 023)	(7 754)	(7 985)	(9,355)
(Deficit)/surplus in the scheme	(28)	(674)	16	2 062	1,143
Difference between actual and expected return on scheme assets	(2 045)	926	420	1,338	201
Experience gains and (losses) on scheme liabilities	10	(38)	(76)	377	-

The company also operates a defined contribution scheme for its employees Contributions accrued and due to be paid at 31 December 2012 amounted to £nil The contributions paid to this scheme in the year were £233 000

Notes to the financial statements

at 31 December 2012

24. Other financial commitments

As at 31 December 2012 the group had annual commitments under non-cancellable operating leases as set out below

	2012	*2011*
	£000	*£000*
Operating leases which expire		
Within one year	1 989	3 626

25 Related parties

i) During the year the group bought and sold fish in the normal course of business from/to Hallvard Leroy AS and Salmar Sales AS both subsidiaries 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 and Salmar Sales AS

	2012	*2011*
	£000	*£000*
Sales to associated company	25 177	24 598
Purchases from associated companies	444	442

At the balance sheet date the amount due from Hallvard Leroy AS was £2,415,000 (2011 - £3,363,000) and an amount due to Hallvard Leroy AS of £51 000 (2011 - £23,000)

ii) There have been other intra group transactions but these have not been disclosed due to the exemption 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