0 0958001

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2003

Registered No: 958001

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

Secretary
D Anderson

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

Bankers
Den Norske 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
Pountney Hill House
6 Laurence Pountney Hill
London
EC4R 0BL

Directors' report

The directors present their report and financial statements for the group for the year ended 31 December 2003.

Results and dividends

The profit for the year after taxation amounts to £902k and is dealt with as shown in the consolidated profit and loss account. No dividend is proposed.

Principal activity and review of the business

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

Management's focus for the year was to exercise control and make the necessary changes in the areas of the business in which we believed would deliver improved performance from 2002. We have made the necessary changes and there has been improved performance in most areas of the business. We have experienced challenging market conditions this year and we are satisfied with the performance and the progress that we have made to deliver sustainable and consistent performance to the group result.

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

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 2004. We delivered on these objectives and targets when audited within the year with our ISO 14001 accreditation being renewed.

During the year it was with sadness that we learned of the death of Magnus Jamieson in June. Magnus was extremely popular and a friend to many within our organisation and during his time with us he was a dedicated, motivated and cheerful individual who will be sadly missed by all.

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.

Disabled employees

The group gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or 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.

Directors' report

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 2003, the company had an average of 38 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.

By order of the board

D Anderson
Secretary

13 February 2004

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.

ERNST & YOUNG

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

We have audited the group's financial statements for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Balance Sheet, and the related notes 1 to 27. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 of the state of affairs of the company and of the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

13 February 2004

Group profit and loss account

for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Turnover	3	60,988	46,429
Cost of sales		(52,583)	(40,435)
Gross profit		8,405	5,994
Distribution costs		(3,780)	(3,385)
Administrative expenses		(1,341)	(1,464)
Exceptional costs	4	(353)	-
Group operating profit	5	2,931	1,145
Interest payable	8	(2,248)	(2,390)
Profit/(loss) on ordinary activities before taxation		683	(1,245)
Tax on profit on ordinary activities	9(a)	219	-
Profit/(loss) for the financial year	21 & 22	902	(1,245)

Group statement of total recognised gains and losses

for the year ended 31 December 2003

There are no recognised gains or losses attributable to shareholders of the group other than the profit after taxation of £902,000 in the year ended 31 December 2003 and the loss of £1,245,000 in the year ended 31 December 2002.

Group balance sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Intangible assets	10	288	356
Tangible assets	11	7,355	7,795
		7,643	8,151
Current assets			
Stocks	13	27,210	29,891
Debtors	14	9,458	8,443
Cash at bank and in hand		598	23
		37,266	38,357
Creditors: amounts falling due within one year	15	(31,241)	(30,176)
Net current assets		6,025	8,181
Total assets less current liabilities		13,668	16,332
Creditors: amounts falling due after more than one year	16	18,572	22,205
Accruals and deferred income	18	206	139
Capital and reserves			
Called up share capital	20 & 22	21,400	21,400
Share premium account	22	1,600	1,600
Profit and loss account	21 & 22	(28,110)	(29,012)
Equity shareholders' funds		(5,110)	(6,012)
		13,668	16,332

Jim F Gallagher

J F Gallagher
Director

13 February 2004

ERNST & YOUNG

Balance sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Intangible assets	10	240	300
Tangible assets	11	6,040	6,428
Investments	12	1,581	1,581
		7,861	8,309
Current assets			
Stocks	13	23,924	24,949
Debtors	14	17,575	19,195
Cash at bank and in hand		598	23
		42,097	44,167
Creditors: amounts falling due within one year	15	(30,209)	(28,867)
Net current assets		11,888	15,300
Total assets less current liabilities		19,749	23,609
Creditors: amounts falling due after more than one year	16	18,572	22,205
Accruals and deferred income	18	206	139
Capital and reserves			
Called up share capital	20 & 22	21,400	21,400
Share premium account	22	1,600	1,600
Profit and loss account	21 & 22	(22,029)	(21,735)
Equity shareholders' funds		971	1,265
		19,749	23,609

Jim F Gallagher

J F Gallagher
Director

13 February 2004

Notes to the financial statements

at 31 December 2003

1. Fundamental accounting concept

At the balance sheet date the group had an excess of liabilities over assets of £5,110,000. The group depends upon continued financial support from its parent undertaking to meet its liabilities as they fall due.

The directors have received confirmation of continued support from its parent undertaking that necessary facilities will be put in place to ensure that the group meets its liabilities as they fall due.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. Should continuing finance not be available, adjustments would be required to reduce the carrying value of assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

2. 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2003.

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.

Notes to the financial statements

at 31 December 2003

2. Accounting policies (continued)

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.

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 expected cost of pensions in respect of the group's defined benefit pension scheme in which certain of the company's employees participate is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme.

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 2003

2. 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.

3. Turnover

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

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

A geographical analysis is as follows:

	2003	*2002*
	£000	*£000*
United Kingdom	29,306	27,138
Other European countries	22,419	13,684
North America	8,073	4,893
Far East	331	15
Other	859	699
	60,988	46,429

4. Exceptional cost

This cost relates to settlement of a claim against the company.

5. Group operating profit

This is stated after charging/(crediting):

	2003	*2002*
	£000	*£000*
Depreciation of owned assets	1,937	1,876
Depreciation of assets held under finance leases and hire purchase contracts	49	-
	1,986	1,876
Directors' remuneration	150	183
Auditors' remuneration		
- audit services	28	28
- non audit services	19	11
Hire of plant and equipment	2,296	2,048
Government grants released	(27)	(16)
Amortisation of goodwill	68	68
Exchange (gains)/losses	(18)	26

Notes to the financial statements

at 31 December 2003

6. Directors' remuneration

	2003	*2002*
	£000	*£000*
Emoluments	150	183
	No.	*No.*
Members of defined benefit pension schemes	2	2
	£000	*£000*
Compensation for loss of office	-	91

7. Staff costs

	2003	*2002*
	£000	*£000*
Wages and salaries	5,180	5,260
Social security costs	410	413
Other pension costs	263	253
	5,853	5,926

The average number of persons employed by the group, including directors, during the year was 253 (2002 - 284).

8. Interest payable

	2003	*2002*
	£000	*£000*
Bank loan interest	1,298	1,487
Bank overdraft interest	950	903
	2,248	2,390

Notes to the financial statements

at 31 December 2003

9. Taxation

(a) Tax on profit/(loss) on ordinary activities

Group

The tax credit is made up as follows:

	2003	*2002*
	£000	*£000*
UK corporation tax:		
Adjustments relating to prior years - group relief	219	-

(b) Factors affecting the current tax charge

Group

	2003	*2002*
	£000	*£000*
Profit/(loss) on ordinary activities before tax	683	(1,245)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	205	(374)
Effect of:		
Disallowed expenses and non-taxable income	47	47
Fixed asset timing differences	(301)	(202)
Other timing differences	29	(6)
Adjustments in respect of previous years	219	-
Tax losses	20	535
	219	-

(c) Factors that may affect future tax charges

The group has tax losses and accelerated capital allowances of approximately £7,600,000 (2001: £10,600,000) which are available indefinitely for offset against future taxable profits. The deferred tax asset (note 9 (d)) of £2,307,000 has not been recognised in accordance with the group's accounting policy.

(d) Deferred tax

As stated in (c) above, no deferred tax has been incorporated in the financial statements. The unprovided deferred tax asset is made up of the following:

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	(1,043)	(573)	(1,069)	(644)
Other timing differences	(82)	(73)	(82)	(73)
Tax losses	(1,182)	(2,564)	(790)	(1,705)
	(2,307)	(3,210)	(1,941)	(2,422)

ERNST & YOUNG

Notes to the financial statements

at 31 December 2003

10. Intangible fixed assets

	Group goodwill £000	*Company goodwill £000*
Cost:		
At 1 January 2003 and at 31 December 2003	680	600
Amortisation:		
At 1 January 2003	324	300
Addition for year	68	60
At 31 December 2003	392	360
Net book value:		
At 31 December 2003	288	240
At 1 January 2003	356	300

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

11. Tangible assets

Group

	At 1 January 2003 £000	*Additions and reclassifications £000*	*Disposals and transfers £000*	*At 31 December 2003 £000*
At cost:				
Freehold land and buildings	1,802	2	-	1,804
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	33,423	1,370	(98)	34,695
Motor vehicles	171	182	-	353
	36,495	1,554	(98)	37,951
Depreciation:				
Freehold land and buildings	950	60	-	1,010
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	26,569	1,854	(90)	28,333
Motor vehicles	82	72	-	154
	28,700	1,986	(90)	30,596
Net book value	7,795			7,355

The net book value of motor vehicles includes £211,000 (2002 - £80,000) relating to assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2003

11. Tangible assets (continued)

Company

	At 1 January 2003 £000	*Additions and reclassifications £000*	*Disposals and transfers £000*	*At 31 December 2003 £000*
At cost:				
Freehold land and buildings	1,718	3	-	1,721
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	27,736	1,213	(8)	28,941
Motor vehicles	165	182	-	347
	30,718	1,398	(8)	32,108
Depreciation:				
Freehold land and buildings	926	60	-	986
Buildings on leasehold land	1,099	-	-	1,099
Machinery and equipment	22,189	1,736	(90)	23,835
Motor vehicles	76	72	-	148
	24,290	1,868	(90)	26,068
Net book value	6,428			6,040

The net book value of motor vehicles includes £211,000 (2002 - £80,000) relating to assets held under finance leases and hire purchase contracts.

ERNST & YOUNG

Notes to the financial statements

at 31 December 2003

12. Investments

Company

	2003 £000	2002 £000
At 1 January and at 31 December	1,581	1,581

Subsidiary undertakings

	Class of shares	Country of incorporation	Proportion held
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.

13. Stocks

		Group		Company
	2003 £000	2002 £000	2003 £000	2002 £000
Materials and feed	949	1,806	684	1,436
Ongrowing fish	26,261	28,085	23,240	23,513
	27,210	29,891	23,924	24,949

Notes to the financial statements

at 31 December 2003

14. Debtors

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Trade debtors	5,103	4,074	5,103	4,075
Prepayments and accrued income	1,670	1,445	1,631	1,410
Amounts owed by group undertakings	2,455	2,551	10,635	13,362
Other debtors	230	373	206	348
	9,458	8,443	17,575	19,195

Included within amounts owed by group undertakings for the 'company' is an amount of £3,000,000 (2002 - £3,000,000) which is due after one year.

15. Creditors: amounts falling due within one year

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Bank loans (note 17)	3,700	2,700	3,700	2,700
Bank overdraft	17,500	16,105	17,500	16,105
Trade creditors	6,343	6,969	5,529	6,073
Social security	167	141	167	141
Accruals and deferred income	3,466	4,247	3,248	3,834
Obligations under finance leases and hire purchase contracts (note 19)	65	14	65	14
	31,241	30,176	30,209	28,867

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.

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

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Bank loans (note 17)	18,475	22,175	18,475	22,175
Obligations under finance leases and hire purchase contracts (note 19)	97	30	97	30
	18,572	22,205	18,572	22,205

Notes to the financial statements

at 31 December 2003

17. Bank loans

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Not 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	9,000	10,000	9,000	10,000
Wholly repayable within five years:				
£17million bank loan	13,175	14,875	13,175	14,875
	22,175	24,875	22,175	24,875
Less: included in creditors: amounts falling due within one year (note 15)	3,700	2,700	3,700	2,700
Amounts falling due after one year (note 16)	18,475	22,175	18,475	22,175
Amounts repayable:				
In one year or less	3,700	2,700	3,700	2,700
In more than one year but not more than two years	3,700	3,700	3,700	3,700
In more than two years but not more than five years	14,775	17,475	14,775	17,475
	22,175	23,875	22,175	23,875
In more than five years	-	1,000	-	1,000
	22,175	24,875	22,175	24,875

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.

18. Accruals and deferred income

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Deferred government grants:				
At 1 January	139	89	139	89
Received in year	94	66	94	66
Released in year	(27)	(16)	(27)	(16)
At 31 December	206	139	206	139

Notes to the financial statements

at 31 December 2003

19. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Amounts payable:				
Within one year	72	17	72	17
In two to five years	107	34	107	34
	179	51	179	51
Less: finance charges allocated to future periods	(17)	(7)	(17)	(7)
	162	44	162	44

Finance leases and hire purchase contracts are analysed as follows:

		Group		*Company*
	2003	*2002*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*
Current obligations (note 15)	65	14	65	14
Non-current obligations (note 16)	97	30	97	30
	162	44	162	44

20. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2003	*2002*	*2003*	*2002*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

21. Profit and loss account

	Group	*Company*	*Subsidiaries*
	£000	*£000*	*£000*
As at 1 January 2003	(29,012)	(21,735)	(7,277)
Profit/(loss) for the year	902	(294)	1,196
As at 31 December 2003	(28,110)	(22,029)	(6,081)

The company has not presented its own profit and loss account for the year ended 31 December 2003. Of the group loss for the financial year, a loss of £294,000 (2002 - £1,510,000) has been dealt with in the financial statements of the company.

Notes to the financial statements

at 31 December 2003

22. 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 2002	21,400	1,600	(27,767)	(4,767)
Loss for the year	-	-	(1,245)	(1,245)
At 31 December 2002	21,400	1,600	(29,012)	(6,012)
Profit for the year	-	-	902	902
At 31 December 2003	21,400	1,600	(28,110)	(5,110)

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Company				
At 1 January 2002	21,400	1,600	(20,225)	2,775
Loss for the year	-	-	(1,510)	(1,510)
At 31 December 2002	21,400	1,600	(21,735)	1,265
Loss for the year	-	-	(294)	(294)
At 31 December 2003	21,400	1,600	(22,029)	(971)

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £45,000 (2002 - £8,000) for the group and the company.

Notes to the financial statements

at 31 December 2003

24. Pension scheme

SSAP 24 Disclosures

The company operates a funded contributory pension scheme, the Scottish Sea Farms Defined Benefit Scheme ("the Scheme"), which commenced on 1 March 2002 for the benefit of its employees. The Scheme provides benefits based on final pensionable salary, with the assets of the Scheme held separately from those of the company.

Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company in accordance with the requirements of the Statement of Standard Accounting Practice No. 24.

The contributions are determined by a qualified actuary and the aim is for benefits to be fully funded during the Scheme members' working lives. The regular pension cost was assessed under the Projected Unit method.

The latest actuarial valuation of the Scheme was carried out at 31 December 2002. At this time, the market value of the Scheme assets was £2,094,258, representing 93% of the value of the liabilities. The main assumptions used were rates of investment return of 6.5% per annum, salary increases of 3.75% per annum and pension increases in payment of 3% per annum for pension earned before 1 March 2002 and 2.25% per annum for pension earned after 1 March 2002.

The Company contributed £263,000 to the Scheme in the year to 31 December 2003 (31 December 2002: £260,000).

The pension cost for the Company for the year to 31 December 2003 was £226,000 (31 December 2002: £264,000). There is a prepayment of pension costs of £33,000 as at 31 December 2003 (31 December 2002: provision of £4,000) arising from the accumulated difference between the contributions paid to the Scheme and the corresponding pension cost.

Notes to the financial statements

at 31 December 2003

24. Pension scheme (continued)

Transitional FRS17 disclosures

The additional disclosures required by FRS17 during the transition period are detailed below.

The formal valuation of the Scheme at 31 December 2002 was updated, allowing for the change in assumptions, to 31 December 2003 by an independent qualified actuary.

The major financial assumptions used by the actuary were:

	31 December 2003	*31 December 2002*
Rate of increase in salaries	2.50%	2.25%
Rates of increase to pensions in payment:		
Pension accrued pre 1 March 2002	3.00%	3.00%
Pension accrued post 1 March 2002	2.50%	2.25%
Discount rate	5.70%	5.80%
Inflation assumption	2.50%	2.25%

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

	Long term rate of return expected at 31 December 2003	*Value at 31 December 2003*	*Long term rate of return expected at 31 December 2002*	*Value at 31 December 2002*
	%	*£000*	*%*	*£000*
Equities	7.25	2,345	7.25	1,769
Corporate bonds	5.50	412	5.50	317
Other	3.75	34	4.00	43
Total market value of assets		2,791		2,129
Present value of scheme liabilities		2,856		2,359
Deficit in the scheme		(65)		(230)
Related deferred tax asset		19		69
Net pension liability		(46)		(161)

ERNST & YOUNG

Notes to the financial statements

at 31 December 2003

24. Pension scheme (continued)

***Transitional FRS17 disclosures** (continued)*

If the above amounts had been recognised in the financial statements, the company's net liabilities and profit and loss reserves at 31 December 2003 would be as follows:

Balance sheet

	31 December 2003 £000	*31 December 2002 £000*
Net liabilities excluding pension liability	5,110	6,012
Net pension liability	46	161
Net liabilities including pension liability	5,156	6,173

Reserves

	31 December 2003 £000	*31 December 2002 £000*
Profit and loss reserve excluding pension reserve	(28,110)	(29,012)
Pension reserve	(46)	(161)
Profit and loss reserve	(28,156)	(29,173)

Analysis of amount charged to operating profit

	31 December 2003 £000	*10 months to 31 December 2002 £000*
Current service cost	215	190
Past service cost	-	4
Total operating charge	215	194

Analysis of amount credited to other finance income

	31 December 2003 £000	*10 months to 31 December 2002 £000*
Expected return on pension scheme assets	156	137
Interest on pension scheme liabilities	(146)	(93)
Net return	10	44

Notes to the financial statements

at 31 December 2003

24. Pension scheme (continued)

***Transitional FRS17 disclosures** (continued)*

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

	31 December 2003 £000	*31 December 2002 £000*
Actual return less expected return on pension scheme assets	247	(641)
Experienced gains/(losses) arising on the scheme liabilities	24	(188)
Changes in assumptions underlying the present value of the scheme liabilities	(164)	(48)
Actuarial gain/(loss) recognised in STRGL	107	(877)

Movements in the surplus during the period

	31 December 2003 £000	*31 December 2002 £000*
Deficit in scheme at the beginning of the period	(230)	537
Movements in the year:		
Current service cost	(215)	(190)
Contributions	263	260
Past service cost	-	(4)
Other financial income	10	44
Actuarial gain/(loss)	107	(877)
Deficit in scheme at the end of the year	(65)	(230)

The company contributed to the Scheme at a rate of 11.3% of pensionable salaries over the year. The current contribution rate will be reviewed no later than the next formal valuation, which is due at 31 December 2005.

The scheme is closed to new members and, as such, the current service cost, as a percentage of pensionable salary, will increase as members approach retirement.

Notes to the financial statements

at 31 December 2003

24. Pension scheme (continued)

Transitional FRS17 disclosures (continued)

History of experience gains and losses

	31 December 2003 £000	*31 December 2002 £000*
Difference between expected and actual return on the scheme assets:		
Amount (£000)	247	(641)
Percentage of scheme assets	9%	(30%)
Experience gains/(losses) on scheme liabilities:		
Amount (£000)	24	(188)
Percentage of the present value of scheme liabilities	1%	(8%)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£000)	107	(877)
Percentage of the present value of scheme liabilities	4%	(37%)

25. Other financial commitments

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below:

Group

		Other
	2003	*2002*
	£000	*£000*
Operating leases which expire:		
Within one year	-	810
In two to five years	1,379	793
	1,379	1,603

Notes to the financial statements

at 31 December 2003

26. 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 group companies:

	2003	*2002*
	£000	*£000*
Turnover	26,393	9,069
Cost of sales	900	247
Administrative expenses	-	-

At the balance sheet date the amount due from Leroy Hallvard AS was £2,455,197.

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.

27. 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.