

Company Registration Number SC076613

FARNE SALMON & TROUT LIMITED

Report and Financial Statements

29 June 2008

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FARNE SALMON & TROUT LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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FARNE SALMON & TROUT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

O E Norgaard (Chairman)
R Deakin
W Duncanson

SECRETARY

J R Smith

REGISTERED OFFICE

Station Road Industrial Estate
Duns
Berwickshire
TD11 3HS

BANKERS

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

SOLICITORS

Dundas and Wilson CS LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

AUDITORS

Deloitte LLP
Bristol

FARNE SALMON & TROUT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 29 June 2008.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be that of the processing of salmon and trout for both the wholesale and retail markets.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are pleased to report a significant improvement on last year. The operating profit in the year was £2,865,000 (2007: profit of £1,673,000) after depreciation of £1,357,000 (2007: £1,303,000) an improvement in operating profit before depreciation of £1,246,000. Farne Salmon & Trout have made a profit after tax in the financial period ended 29 June 2008 of £3,133,000 (2007: £1,591,000). Results are set out further in the profit and loss account.

The company is committed to maintaining its focus on new product development and seeking out opportunities to further its goal of being a centre of excellence for salmon and trout in the UK. Part of this programme is to maintain the company's high health and safety standards and to this end the company has reduced the number of reportable injuries per million hours worked from 4.35 in the prior period to 2.9 for the period to 29 June 2008.

Costs continue to be rigorously controlled throughout the company, leading to improved margins.

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The group operates a credit insurance scheme and constant business monitoring to minimise its exposure to non insured risks.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge these exposures where appropriate and the company benefits from those contracts without taking them out directly themselves.

Interest bearing assets and liabilities are held at a fixed rate to ensure certainty of cash flows.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amount presented in the balance sheet is net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is regularly reviewed, and any significant funds, in excess of immediate funding requirements, are only deposited with banks which continue to participate fully in the Alfesca Facility Syndication, where they are used to offset overall group borrowings within that facility.

Price risk

The company is exposed to commodity price risk. The company manages its exposure to commodity price risk by entering into commodity supply contracts at levels deemed appropriate by the management.

FARNE SALMON & TROUT LIMITED

DIRECTORS' REPORT (continued)

DIVIDENDS

The directors have not declared a dividend (2007: £nil).

DIRECTORS

The present membership of the Board is set out on page 1. The directors during the year and subsequently were as follows:

O E Norgaard (chairman)
R Deakin
W Duncanson

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. Accordingly, a resolution to reappoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



O E Norgaard
Director

9th December 2008

FARNE SALMON & TROUT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the 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 United Kingdom Accounting Standards have been followed; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

FARNE SALMON & TROUT LIMITED

We have audited the financial statements of Farne Salmon & Trout Limited for the period ended 29 June 2008 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 June 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

DELOITTE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

18 December 2008

FARNE SALMON & TROUT LIMITED**PROFIT AND LOSS ACCOUNT****Period ended 29 June 2008**

	Note	2008 £'000	2007 £'000
TURNOVER	2	50,565	47,563
Cost of sales		(45,580)	(43,670)
GROSS PROFIT		4,985	3,893
Administrative expenses		(2,120)	(2,220)
OPERATING PROFIT	4	2,865	1,673
Net interest	5	268	4
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,133	1,677
Tax charge on profit on ordinary activities	6	-	(86)
PROFIT FOR THE FINANCIAL YEAR	12	3,133	1,591

All results derive from continuing activities.

There are no recognised gains or losses for the current or preceding year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.

FARNE SALMON & TROUT LIMITED

BALANCE SHEET

At 29 June 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	7	7,505	7,242
CURRENT ASSETS			
Stocks	8	3,298	2,784
Debtors	9	5,375	6,129
Cash at bank and in hand		6,721	5,788
		15,394	14,701
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(5,403)	(7,580)
NET CURRENT ASSETS		9,991	7,121
TOTAL ASSETS LESS CURRENT LIABILITIES		17,496	14,363
NET ASSETS		17,496	14,363
CAPITAL AND RESERVES			
Called up share capital	11	17,399	17,399
Share premium account	12	153	153
Profit and loss account	12	(56)	(3,189)
SHAREHOLDERS' FUNDS	12	17,496	14,363

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



O E Norgaard
Director

9th December 2008

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The accounting policies have been consistently applied throughout the current and preceding period.

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue recognition

Revenue is recognised when goods are despatched to customers.

Tangible fixed assets

Depreciation is provided on cost over the estimated lives of the assets. The rates of depreciation are as follows:

Property	4% reducing balance basis
Plant and machinery	15% to 30% straight-line basis

No depreciation is charged against land.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with FRS 19 deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

1. ACCOUNTING POLICIES (continued)

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they fall due.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Share based payments

The company participates in the Alfesca hf group performance related share based incentive arrangement for executive directors and senior employees of the group. The benefit received by the Farne Salmon & Trout Limited employees is expensed over the period of the incentive arrangements and repaid to Alfesca hf. Where the performance measure is assessed over a period in excess of one year, the fair value of the related share based incentive is estimated and spread over the period. Where the performance measure is assessed over a financial period or less the fair value of the share based incentives earned is expensed in the year.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking has included the company in its own published consolidated financial statements.

2. TURNOVER

Analysis of class of business and geographical location by turnover is stated below:

	2008	2007
Geographical analysis of turnover by location	£'000	£'000
Europe	<u>50,565</u>	<u>47,563</u>

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. All turnover is attributable to the principal activity of the company and arose from operations in the United Kingdom.

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 £'000	2007 £'000
Directors' emoluments:		
Emoluments	196	282
Pension contributions	16	20
Share-based payments	77	64
	<u>289</u>	<u>366</u>

Ole Noorgard is remunerated by Lyons Seafoods Limited, a sister company, and it is not practicable to allocate his remuneration between the entities.

	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	122	90
Pension contributions	10	9
Share-based payments	62	51
	<u>194</u>	<u>150</u>

	£'000	£'000
Contributions to defined contribution pension schemes on behalf of the directors	<u>16</u>	<u>20</u>

	No.	No.
The number of directors who were members of a defined contribution pension scheme	<u>2</u>	<u>3</u>

	£'000	£'000
Employee costs during the year (excluding directors):		
Wages and salaries	9,850	8,318
Social security costs	844	723
Other pension costs	50	59
Share based payments	56	52
	<u>10,800</u>	<u>9,152</u>

	No.	No.
Average number of persons employed:		
Production	543	500
Administration	15	15
Marketing	4	5
Quality control	24	25
	<u>586</u>	<u>545</u>

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

4. OPERATING PROFIT

	2008	2007
	£'000	£'000
Operating profit is after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets - own assets	1,357	1,303
Auditors' remuneration:		
- audit	25	29
- other services related to taxation	-	6
Exchange (gain)/loss due to foreign exchange	(174)	100
Grant income	(95)	(104)

5. NET INTEREST

	2008	2007
	£'000	£'000
Interest payable and similar charges		
Bank overdrafts	-	(5)
Inter company interest	-	(43)
	-	(48)
Interest receivable and similar income		
Bank interest	268	52
Net interest	268	4

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£'000	£'000
Current tax:	-	-
Group relief:		
Adjustment in respect of prior period	-	86
	-	86

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28% (2007: 30%). The differences are being explained below:

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	<u>3,133</u>	<u>1,677</u>
	£'000	£'000
Tax on profit on ordinary activities at standard rate	877	503
Factors affecting the charge:		
Expenses not deductible for tax purposes	49	41
Capital allowances in excess of depreciation	(115)	(218)
Tax losses utilised	(726)	(249)
Movement in short-term timing differences	(85)	(77)
Adjustment in respect of prior years	-	86
UK corporation tax charge for the period	<u>-</u>	<u>86</u>

Factors that may affect future tax charges

The company is not aware of any factors that may materially affect the future tax charge.

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period ended 29 June 2008

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 2 July 2007	5,345	17,944	23,289
Additions	-	1,620	1,620
At 29 June 2008	5,345	19,564	24,909
Accumulated depreciation			
At 2 July 2007	2,657	13,390	16,047
Charge for year	96	1,261	1,357
At 29 June 2008	2,753	14,651	17,404
Net book value			
At 29 June 2008	2,592	4,913	7,505
At 2 July 2007	2,688	4,554	7,242

8. STOCKS

	2008 £'000	2007 £'000
Raw materials and consumables	1,455	546
Work in progress	275	378
Finished goods	1,568	1,860
	3,298	2,784

9. DEBTORS

	2008 £'000	2007 £'000
Trade debtors	4,871	5,499
Other taxes and social security	148	144
Prepayments and accrued income	356	486
	5,375	6,129

FARNE SALMON & TROUT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008	2007
	£'000	£'000
Trade creditors	3,387	4,335
Amounts owed to group undertakings	212	417
Other taxes and social security	209	256
Accruals	1,149	2,031
Government grants	446	541
	<u>5,403</u>	<u>7,580</u>

11. CALLED UP SHARE CAPITAL	2008	2007
	No.	No.
Authorised		
Ordinary shares of £1 each	<u>18,000,000</u>	<u>18,000,000</u>
	No.	No.
Allotted and fully paid		
Ordinary shares of £1 each	<u>17,398,817</u>	<u>17,398,817</u>

12. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT IN RESERVES

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 2 July 2007	17,399	153	(3,189)	14,363
Retained profit for the year	-	-	3,133	3,133
At 29 June 2008	<u>17,399</u>	<u>153</u>	<u>(56)</u>	<u>17,496</u>

13. PENSION SCHEMES

The group operates a defined contribution pension scheme for all qualified employees. The assets of the scheme are held in separate trustee administered funds. Contributions made during the year amounted to £89,659 (2007: £79,653). £87 (2007: £8,025) is included in creditors, in respect of unpaid contributions.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 29 June 2008

14. TRANSACTIONS WITH RELATED PARTIES

Transactions with other group entities are not disclosed as the company is itself a wholly owned subsidiary company and is included in the consolidated financial statements of its parent company.

15. ULTIMATE PARENT COMPANY UNDERTAKING

The directors regard Alfesca hf, a company registered in Iceland, as the company's ultimate parent company. The parent undertaking of the smallest group which included the company, and for which group financial statements are prepared, is Alfesca hf, a company registered in Iceland. The parent undertaking of the largest group which includes the company, and for which the group financial statements are prepared, is Alfesca hf. Copies of the group financial statements of Alfesca hf are available from Station Road Industrial Estate, Duns, Berwickshire, TD11 3HS.

16. PERFORMANCE SHARE PLAN

On 22 May 2007, the shareholders of Alfesca hf. approved the adoption of a new performance related share based incentive arrangement for executive directors and senior employees of the Group (The "Alfesca Performance Share Plan" or "Plan"). Rights to receive shares in Alfesca hf. are granted to participants concerning a maximum number of shares, which for the purposes of the Plan, total 300,000,000 shares, of which 19,841,656 shares relate to Farne Salmon & Trout Limited employees, of ISK1 each.

Each award has two parts. The first part of the award vests depending on the achievement of earnings targets for Alfesca hf. for each of the financial years 2007, 2008 and 2009. The second part of the award vest, depending upon the growth in the share price of Alfesca hf. over the three year period of the Plan, and the achievement of a minimum share price in September 2009. In the financial year ending 30 June 2008, an expense of £133,000 (2007: £116,000) was recognised in the profit and loss account in respect of this Plan.