

Hjaltland Seafarms Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2012

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COMPANIES HOUSE

Hjaltland Seafarms Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Stark
M Vike

SECRETARY

M Stark

REGISTERED OFFICE

66 Queen's Road
Aberdeen
AB15 4YE

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
St. Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

BANKERS

Nordea Bank Finland plc
8th Floor, City Place House
55 Basinghall Street
London
EC2V 5NB

SOLICITORS

MacLay Murray & Spens LLP
66 Queen's Road
Aberdeen
AB15 4YE

Hjaltland Seafarms Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Hjaltland Seafarms Limited for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of salmon farming.

REVIEW OF THE BUSINESS

Hjaltland Seafarms Limited is a 100% subsidiary of Grieg Seafood Hjaltland UK Limited, and has its business in Scotland.

The company faced continued challenges during the year due to the low selling price for salmon and also disease issues. The appearance of Aneobic Gill Disease (AGD) in Shetland waters in the autumn caused significant fish mortalities for the company and additional costs were incurred to treat the disease.

The outlook for the first half of 2013 continues to be difficult for the company with lower volumes for sale due to early harvesting in 2012, however it is projected that this situation will improve through the year and will be helped by improved prices. When prices are low the company looks to maximise its opportunities through added value processing wherever possible. In the meantime the company continues to focus on its production costs through economies of scale and efforts to improve biological performance. The company keeps administration costs to a minimum through the company's and Grieg Seafood Hjaltland UK Limited group's efficient management and organisational structure.

FUTURE DEVELOPMENTS

During 2013 the company will continue to work on improving the biological security of their salmon sites in order to help reduce losses through disease. This is being done by investing in further assets to allow the company to do more of the required maintenance using their own equipment. They have also introduced a new policy where each Farm Management Area contains only one year class of fish reducing the risk to the company if disease affects stock in that area. As part of this, the company, along with other firms is treating all sites they operate to combat disease. It is planned that smolts from an associate company will be accessed in 2013. This will assist with improving quality.

RESULTS AND DIVIDENDS

The loss for the year amounted to £12,078,953 (2011 - £899,874). The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company carries out risk assessment on all areas of the business then mitigates risk through internal procedures or insures against risk.

Risk Management

Risk management is carried out on a Grieg Seafood Hjaltland group level. The group identifies, evaluates and hedges financial risks in close co-operation with the group's operational units. The board has established written principles for the management of foreign exchange risk, interest rate risk and use of financial instruments.

Price Risk

The Grieg Seafood Hjaltland group reduced its exposure towards fluctuations in spot market prices for salmon, which is mainly determined by the ratio of global supply & demand of salmon, through offering customer tailor made products and a comprehensive product portfolio. The effect of price changes is reduced by geographical and market & product diversification. In 2012 there was an increase in the global supply of salmon which resulted in a decline in salmon prices. In both 2011 and 2012 Shetland Products Limited (a fellow subsidiary) was selling the different salmon products through supply contracts at contractual prices and at market prices.

Hjaltland Seafarms Limited

DIRECTORS' REPORT

KEY PERFORMANCE INDICATORS

	2012	2011
Turnover £	47,463,036	47,193,974
Gross (Loss)/Profit %	(19.8)	7.6
EBITDA £	(10,084,196)	2,394,032
Net loss after tax £	12,078,953	899,874
Capital Expenditure £	2,417,759	4,689,498
No. of Employees	81	75
Turnover per Employee £	585,963	629,253
Shareholders Funds £	884,708	12,963,661

DIRECTORS

The directors who served the company during the year were as follows:

M Stark
M Vike

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Third party indemnity provision is in place for the benefit of all directors of the company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

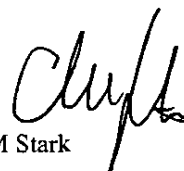
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Registered office:
66 Queen's Road
Aberdeen
AB15 4YE

By order of the board


M Stark

Company Secretary

28 August 2013

Hjaltland Seafarms Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF 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 company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 company's transactions and 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 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF HJALTLAND SEAFARMS LIMITED

We have audited the financial statements on pages 6 to 18. 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 more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx).

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The Group incurred a net loss of £11.6m during the year ended 31 December 2010 and is dependent on the continued support of its parent company Grieg Seafood ASA to provide funding to support its funding requirements. Grieg Seafood ASA has confirmed its intention to support the UK Group for the foreseeable future. Should the position change in relation to the level of board support, this may indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

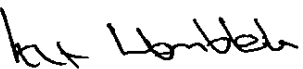
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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


IRENE HAMBLETON (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St. Olaf's Hall
Church Road
Lerwick
Shetland ZE1 0FD

27 September 2013

Hjaltland Seafarms Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

	Notes	2012 £	2011 £
TURNOVER	2	47,463,036	47,193,974
Cost of sales		49,425,740	43,604,133
Exceptional item – Stock write down	6	7,414,019	-
Gross (loss)/profit		(9,376,723)	3,589,841
Distribution costs		2,803,771	2,795,199
Administrative expenses		1,091,782	1,086,216
OPERATING LOSS	3/6	(13,272,276)	(291,574)
Cost of restructuring the company	7	-	151,892
		(13,272,276)	(139,682)
Interest receivable and similar income		2,131	-
		(13,270,145)	(139,682)
Interest payable and similar charges	8	(2,186,779)	(1,320,066)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(15,456,924)	(1,459,748)
Taxation	9	(3,377,971)	(559,874)
LOSS FOR THE FINANCIAL YEAR	24	(12,078,953)	(899,874)

The loss for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Hjaltland Seafarms Limited

BALANCE SHEET

31 December 2012

	Notes	£	2012 £	£	2011 £
FIXED ASSETS					
Intangible assets	10		5,887,810		5,900,865
Tangible assets	11		14,548,354		15,514,194
Investments	12		1,121,819		1,121,819
			<u>21,557,983</u>		<u>22,536,878</u>
CURRENT ASSETS					
Stocks	13	28,619,513		40,825,567	
Debtors due within one year	14	9,432,482		22,436,919	
Deferred taxation	14	2,684,069		—	
Cash at bank and in hand		27,896		368,336	
		<u>40,763,960</u>		<u>63,630,822</u>	
CREDITORS					
Amounts falling due within one year	15	56,506,632		67,452,253	
NET CURRENT LIABILITIES			<u>(15,742,672)</u>		<u>(3,821,431)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,815,311</u>		<u>18,715,447</u>
CREDITORS					
Amounts falling due after more than one year	16		4,150,251		4,227,957
Deferred taxation	18		374,590		1,048,218
Government grants	19		405,762		475,611
			<u>884,708</u>		<u>12,963,661</u>
CAPITAL AND RESERVES					
Called up share capital	23		40,000		40,000
Profit and loss account	24		844,708		12,923,661
SHAREHOLDERS' FUNDS			<u>884,708</u>		<u>12,963,661</u>

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on 28 August 2013 and are signed on their behalf by:


M Stark
Director

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the Companies Act requirement to produce consolidated financial statements because it is a wholly owned subsidiary of Grieg Seafood Hjaltland UK Limited and its results are included in Grieg Seafood Hjaltland UK Limited's consolidated financial statements.

These financial statements present information about Hjaltland Seafarms Limited as an individual undertaking and not about its group.

GOING CONCERN

The board of directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. The 2012 result was affected by the significant impact of Amoebic Gill Disease (AGD) which meant salmon was harvested early, in volume, at lower prices. Steps have been taken to improve water quality which will assist with bio-security going forward.

The Group has established a funding framework which provides additional liquidity of approximately £40m overall for the Group. In addition the Group's loan terms for 2013 and 2014 have been relaxed. The funding requirement is based on a three year forecast which incorporates relatively conservative estimates of salmon prices and shows that the requirements for continued operations have been met. The going concern basis relies on the continued support of its parent company Grieg Seafood ASA to provide funding to support its finance requirements during the period.

CONSOLIDATION

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Grieg Seafood Hjaltland ASA, and its cash flows are included within the consolidated cash flow statement of that company.

TURNOVER

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. The turnover and loss is attributable mainly to one activity, that of salmon farming, and is derived wholly from Europe.

AMORTISATION

Amortisation is calculated so as to write off the cost of an intangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Site licences	- 50 years
Patents	- 20 years

FIXED ASSETS

All fixed assets are initially recorded at cost.

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 ACCOUNTING POLICIES *(continued)*

DEPRECIATION

Depreciation is calculated so as to write off the cost of a tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Piers and Shorebase	- 20-40 years
Plant & Equipment	- 2-10 years
Motor Vehicles	- 3-5 years
Boats	- 5-20 years

In the year of acquisition, all assets are depreciated on a pro-rata basis from the month of acquisition.

INVESTMENTS

Fixed asset investments are recorded at cost less any provision for impairment losses.

STOCKS

Stocks are stated at the lower of cost and net realisable value, with due allowance being made for estimated stock losses due to weather, predation and disease. Cost includes fish purchases, feed, direct labour and all other costs directly associated with the rearing of fish. An appropriate proportion of attributable overheads has also been included within the stock valuation.

FINANCE LEASE AGREEMENTS

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The company contributes to personal pension plans of certain employees. The amounts charged against profits represents the contributions payable to the plans in respect of the accounting period.

DEFERRED TAXATION

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

DEFERRED GOVERNMENT GRANTS

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2 TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2012 £	2011 £
United Kingdom	<u>47,463,036</u>	<u>47,193,974</u>

3 OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2012 £	2011 £
Amortisation of government grants re fixed assets	(155,254)	(164,995)
Amortisation of intangible assets	1,000	1,000
Depreciation of owned fixed assets	2,494,500	2,180,977
Depreciation of assets held under finance lease agreements	847,834	668,624
Loss/(Profit) on disposal of fixed assets	12,571	(18,008)
Auditor's remuneration		
- as auditor	28,721	17,886
- relating to taxation services	4,982	4,192
Operating lease costs:		
- Plant and equipment	167,614	415,658
- Other	42,519	72,096
Net (profit)/loss on foreign currency translation	<u>(14,023)</u>	<u>9,193</u>

4 REMUNERATION OF DIRECTORS

The directors received no emoluments from the company during the year (2011: £nil).

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

5 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year was:

	2012	2011
	No	No
Number of production staff	69	64
Number of administrative staff	12	11
	<u>81</u>	<u>75</u>

The aggregate payroll costs of the above were:

	2012	2011
	£	£
Wages and salaries	2,693,829	2,425,917
Social security costs	362,210	267,786
Other pension costs	9,000	9,000
	<u>3,065,039</u>	<u>2,702,703</u>

6 EXCEPTIONAL ITEMS

	2012	2011
	£	£
Recognised in arriving at operating loss:		
Stock write down	<u>7,414,019</u>	<u>-</u>

During the year there was an exceptional amount written off stock as a result of AGD (Amoebic Gill Disease).

7 COST OF RESTRUCTURING

	2012	2011
	£	£
Debt write off	<u>-</u>	<u>(151,892)</u>

As described in note 27, the company forms part of the Grieg Seafood Hjaltland UK Limited group. During the year to 31 December 2011, the group dissolved some of its dormant companies and the inter group balances between these companies and Hjaltland Seafarms Limited were written off.

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
On finance leases	218,107	163,773
On other loans	1,968,672	1,156,293
	<u>2,186,779</u>	<u>1,320,066</u>

Of the above amounts £1,968,672 (2011: £1,156,293) was payable to group undertakings.

Hjaltsland Seafarms Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2012

9 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2012 £	2011 £
Current tax:		
Corporation tax	-	-
Adjustment to the tax charge in respect of prior year	(20,274)	(807,717)
Total current tax	(20,274)	(807,717)
Deferred tax:		
Origination and reversal of timing differences	(3,357,697)	247,843
Tax on loss on ordinary activities	(3,377,971)	(559,874)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 24% (2011 - 26%), as explained below

	2012 £	2011 £
Loss on ordinary activities before taxation	(15,456,924)	(1,459,748)
Loss on ordinary activities by rate of tax	(3,709,662)	(379,534)
Effects of:		
Expenses not deductible for tax purposes	111,122	(149,798)
Capital allowances (more than)/less than depreciation	554,291	(220,690)
Tax losses carried forward	2,788,984	-
Tax losses carried back	-	750,022
Group relief	255,265	-
Adjustment to the tax charge in respect of prior year	(20,274)	(807,717)
Total current tax (note 9(a))	(20,274)	(807,717)

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

10 INTANGIBLE FIXED ASSETS

	Site Licences £	Patents £	Total £
Cost			
At 1 January 2012	5,887,812	28,853	5,916,665
Additions	–	1,955	1,955
Disposals	–	(14,010)	(14,010)
At 31 December 2012	<u>5,887,812</u>	<u>16,798</u>	<u>5,904,610</u>
Amortisation			
At 1 January 2012	15,800	–	15,800
Charge for the year	1,000	–	1,000
At 31 December 2012	<u>16,800</u>	<u>–</u>	<u>16,800</u>
Net book value			
At 31 December 2012	<u>5,871,012</u>	<u>16,798</u>	<u>5,887,810</u>
At 31 December 2011	<u>5,872,012</u>	<u>28,853</u>	<u>5,900,865</u>

It is expected that the site licences will be available for 50 years under current trading conditions, therefore these licences are being amortised over 50 years. The status of site licences is currently being altered to change them to planning permission and the majority of site licences have received planning consent. This will give them an indefinite life.

New site licences were purchased during the year to 31 December 2008 and 31 December 2010 at a cost of £5,837,412. The directors are of the opinion that the residual value of these additions means that no amortisation is required.

New patents were purchased during the year to 31 December 2011 at a cost of £28,853. The directors are of the opinion that the residual value of these additions means that no amortisation is required. This is also the case with the additional costs of £1,955 to these patents in 2012.

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

11 TANGIBLE FIXED ASSETS

	Pier and shorebase £	Plant & Equipment £	Motor Vehicles £	Boats £	Assets under construction £	Total £
Cost						
At 1 January 2012	815,291	14,881,783	434,832	12,869,831	–	29,001,737
Additions	–	1,500,149	54,695	848,720	12,240	2,415,804
Disposals	–	(489,390)	(9,433)	(627,763)	–	(1,126,586)
At						
31 December 2012	<u>815,291</u>	<u>15,892,542</u>	<u>480,094</u>	<u>13,090,788</u>	<u>12,240</u>	<u>30,290,955</u>
Depreciation						
At 1 January 2012	304,257	8,618,407	194,470	4,370,409	–	13,487,543
Charge for the year	33,986	2,432,654	62,975	812,719	–	3,342,334
On disposals	–	(489,390)	(9,432)	(588,454)	–	(1,087,276)
At						
31 December 2012	<u>338,243</u>	<u>10,561,671</u>	<u>248,013</u>	<u>4,594,674</u>	<u>–</u>	<u>15,742,601</u>
Net book value						
At						
31 December 2012	<u>477,048</u>	<u>5,330,871</u>	<u>232,081</u>	<u>8,496,114</u>	<u>12,240</u>	<u>14,548,354</u>
At						
31 December 2011	<u>511,034</u>	<u>6,263,376</u>	<u>240,362</u>	<u>8,499,422</u>	<u>–</u>	<u>15,514,194</u>

Finance lease agreements

Included within the net book value of £14,548,354 is £5,691,432 (2011 - £5,564,701) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £847,834 (2011 - £668,624).

12 INVESTMENTS

Investment in subsidiary

	£
Cost	
At 1 January 2012 and 31 December 2012	<u>1,121,819</u>
Net book value	
At 31 December 2012 and 31 December 2011	<u>1,121,819</u>

The investment is in 100% of the ordinary share capital of Northern Aquaculture Limited, a company registered in Scotland.

13 STOCKS

	2012 £	2011 £
Fish	27,716,288	40,073,817
Feed	903,225	751,750
	<u>28,619,513</u>	<u>40,825,567</u>

Hjaltsland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

14 DEBTORS

	2012	2011
	£	£
Trade debtors	28,804	11,014
Amounts owed by group undertakings	6,556,098	20,280,588
Corporation tax repayable	588,998	807,717
Other debtors	138,546	—
Prepayments and accrued income	2,120,036	1,337,600
Deferred taxation (note 18)	2,684,069	—
	<u>12,116,551</u>	<u>22,436,919</u>

The deferred tax asset has been recognised as the losses to which it relates will be utilised against projected future trading profits.

15 CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	5,426,147	11,788,099
Amounts owed to group undertakings	49,057,389	53,349,420
Other taxation and social security	66,136	155,123
Obligations under finance lease agreements	1,086,596	979,535
Other creditors	539	27,902
Accruals and deferred income	869,825	1,152,174
	<u>56,506,632</u>	<u>67,452,253</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2012	2011
	£	£
Finance lease agreements	<u>1,086,596</u>	<u>979,535</u>

Borrowings are secured by a floating charge over all of the assets of the company as well as fixed security over certain assets of the company.

16 CREDITORS: Amounts falling due after more than one year

	2012	2011
	£	£
Obligations under finance lease agreements	<u>4,150,251</u>	<u>4,227,957</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2012	2011
	£	£
Finance lease agreements	<u>4,150,251</u>	<u>4,227,957</u>

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

17 COMMITMENTS UNDER FINANCE LEASE AGREEMENTS

Future commitments under finance lease agreements are as follows:

	2012	2011
	£	£
Amounts payable within 1 year	1,086,596	979,535
Amounts payable between 1 and 2 years	1,265,418	1,022,989
Amounts payable between 3 and 5 years	1,961,236	2,237,539
Amounts payable after more than 5 years	923,597	967,429
	<u>5,236,847</u>	<u>5,207,492</u>

18 DEFERRED TAXATION

The deferred taxation included in the balance sheet is as follows:

	2012	2011
	£	£
Included in debtors (note 14)	(2,684,069)	-
Included in provisions	374,590	1,048,218
	<u>(2,309,479)</u>	<u>1,048,218</u>

The movement in the deferred taxation account during the year was:

	2012	2011
	£	£
Balance brought forward	1,048,218	800,375
Profit and loss account movement arising during the year	(3,357,697)	247,843
Balance carried forward	<u>(2,309,479)</u>	<u>1,048,218</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2012	2011
	£	£
Excess of taxation allowances over depreciation on fixed assets	85,237	373,797
Tax losses available	(2,684,069)	680,071
Other timing differences	289,353	(5,650)
	<u>(2,309,479)</u>	<u>1,048,218</u>

The deferred tax asset has been recognised by the company on the basis that they are projecting to make profits in the coming years against which the asset will be reversed.

Hjaltsland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

19 GOVERNMENT GRANTS

	2012 £	2011 £
Received and receivable:		
At 1 January 2012	1,029,712	1,004,339
Receivable during year	85,405	25,373
At 31 December 2012	<u>1,115,117</u>	<u>1,029,712</u>
Amortisation:		
At 1 January 2012	554,101	389,106
Credit to profit and loss account	155,254	164,995
At 31 December 2012	<u>709,355</u>	<u>554,101</u>
Net balance at 31 December 2012	<u>405,762</u>	<u>475,611</u>

20 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets other than land and buildings	
	2012 £	2011 £
Operating leases which expire:		
Within 1 year	5,017	1,827
Within 2 to 5 years	44,486	52,316
	<u>49,503</u>	<u>54,143</u>

21 CONTINGENCIES

Contingent liabilities exist in respect of various grants received. Details of these grants and expiry dates of the grant obligations are as follows:

Grant	£	Expiry of grant obligation
Shetland Islands Council		
Feed evaluation trial	7,549	2015
Seal predation protection project	288	2015
Accurate assessment of biomass project	11,336	2015
Cage improvement project	24,783	2015
European Fisheries Fund		
Feed evaluation trial	86,808	2015
Seal predation protection project	113,033	2015
Accurate assessment of biomass project	130,366	2015
Cage improvement project	285,011	2015

The company has guaranteed the borrowings of other group members which at 31 December 2012 amounted to £129,813,680. (2011: £155,564,511).

Hjaltland Seafarms Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

22 RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

23 SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid: 40,000 Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

24 PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At the beginning of the year	12,923,661	13,823,535
Loss for the financial year	(12,078,953)	(899,874)
At the end of the year	<u>844,708</u>	<u>12,923,661</u>

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Loss for the financial year	(12,078,953)	(899,874)
Opening shareholders' funds	<u>12,963,661</u>	<u>13,863,535</u>
Closing shareholders' funds	<u>844,708</u>	<u>12,963,661</u>

26 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (2011 - £620,500).

27 POST BALANCE SHEET EVENT

Following the year end two sites which were fully harvested in January 2013 had shortfalls of biomass which indicated that the balances at year end required adjustment of £629k pre-tax.

At 31 December 2012 stock has been reduced by £629k and cost of sales increased by the same amount.

In the period following 31 December 2012 to 31 July 2013 there have been stock write downs due to predator damage and biomass shortfalls. A total of £1,784k has been written off stock value during the period to 31 July 2013. No adjustment is deemed necessary for the year ended 31 December 2012.

28 ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Grieg Seafood Hjaltland UK Limited, a company registered in Scotland.

The ultimate parent company of Hjaltland Seafarms Limited is Grieg Seafood ASA, incorporated in Norway. The consolidated accounts of this company are available to the public and may be obtained from Bronnoysundregistrene, v/Regnskapsregisteret, Postboks 1000, N8901, Bronnoysund, Norway.

The smallest group in which they are consolidated is that headed by Grieg Seafood Hjaltland UK Limited, incorporated in Scotland. The consolidated accounts of this company are available to the public and may be obtained from the Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland.