


Sealord (Europe) Limited

Report and Financial Statements

30 June 2004

 **ERNST & YOUNG**



Sealord (Europe) Limited

Registered No: 02776684

Directors

P V Lough
P J Guinness
J P Safey

Secretary

G D Taplin

Auditors

Ernst & Young LLP
P O Box 3
Lowgate House
Lowgate
Hull
HU1 1JJ

Bankers

Midland Bank plc
26-28 Broad Street
Reading
Berkshire
RG1 2BU

Solicitors

Grange Wintringham
St Mary's Chambers
West Street
Mart's Gate
Grimsby
North East Lincolnshire
DN31 1LD

Registered Office

St Mary's Chambers
West Street
Mary's Gate
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Directors' report

The directors present their report and the group accounts for the year ended 30 June 2004.

Results and dividends

The group profit for the year, after taxation and minority interests, amounted to £1,069,397 (2003 - £1,729,613). The directors do not recommend the payment of a final dividend.

Review of the business

The group's principal activity during the year was the marketing and distribution of seafood products.

Future developments

The directors aim to increase their supply lines in order to gain a stronger place in the market.

Directors and their interests

The directors who served during the year are as follows:

P V Lough
P J Guinness
J P Safety

There are no directors' interests requiring disclosure under the Companies Act 1985.

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board


J P Safety
Director

25 April 2005

Independent auditors' report

to the members of Sealord (Europe) Limited

We have audited the group's financial statements for the year ended 30 June 2004 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet and the related notes 1 to 22. 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.

Independent auditors' report

to the members of Sealord (Europe) Limited

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 30 June 2004 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
Registered Auditor
Hull

25 April 2005

Consolidated profit and loss account

for the year ended 30 June 2004

	Notes	2004 £	2003 £
Turnover	2	83,055,831	75,593,195
Cost of sales		74,112,213	68,366,849
Gross profit		8,943,618	7,226,346
Distribution and administrative expenses		7,128,654	4,554,701
Operating profit	3	1,814,964	2,671,645
Interest receivable		14,528	27,424
Interest payable	6	(59,130)	(64,188)
Profit on ordinary activities before taxation		1,770,362	2,634,881
Tax charge on profit on ordinary activities	7	629,283	835,001
Profit on ordinary activities after taxation		1,141,079	1,799,880
Minority interest		71,682	70,267
Retained profit for the financial year attributable to the members of the parent company	17	1,069,397	1,729,613

Consolidated statement of total recognised gains and losses

for the year ended 30 June 2004

	2004 £	2003 £
Profit for the financial year	1,069,397	1,729,613
Exchange differences on retranslation of net assets of subsidiary undertakings	(43,291)	101,372
Total recognised gains and losses relating to the year	<u>1,026,106</u>	<u>1,830,985</u>

Consolidated balance sheet

at 30 June 2004

	Notes	2004 £	2003 £
Fixed assets			
Intangible assets	9	1,241,158	849,239
Tangible assets	10	1,401,800	1,509,999
		<u>2,642,958</u>	<u>2,359,238</u>
Current assets			
Stocks - goods for resale		8,870,905	8,903,999
Debtors	12	12,826,403	12,274,208
Cash at bank and in hand		3,014,871	1,242,186
		<u>24,712,179</u>	<u>22,420,393</u>
Creditors: amounts falling due within one year	13	<u>20,106,797</u>	<u>17,735,747</u>
Net current assets		<u>4,605,382</u>	<u>4,684,646</u>
Total assets less current liabilities		<u>7,248,340</u>	<u>7,043,884</u>
Creditors: amounts falling due after more than one year	14	750,000	1,447,790
Provision for liabilities and charges			
Deferred taxation	15	106,934	93,474
Minority interests - equity		<u>315,438</u>	<u>452,758</u>
		<u>6,075,968</u>	<u>5,049,862</u>
Capital and reserves			
Called up share capital	16	400,000	400,000
Profit and loss account	17	5,675,968	4,649,862
Equity shareholders' funds		<u>6,075,968</u>	<u>5,049,862</u>

Approved by the Board on 25 April 2005



J P Safey
Director

Company balance sheet

at 30 June 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	10	61,531	101,995
Investments	11	2,175,226	1,548,026
		<u>2,236,757</u>	<u>1,650,021</u>
Current assets			
Stocks - goods for resale		280,879	515,438
Debtors	12	372,174	2,321,235
Cash at bank and in hand		695,241	518,500
		<u>1,348,294</u>	<u>3,355,173</u>
Creditors: amounts falling due within one year	13	1,222,488	2,329,426
		<u>125,806</u>	<u>1,025,747</u>
Net current assets			
		<u>2,362,563</u>	<u>2,675,768</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	14	750,000	750,000
Provision for liabilities and charges			
Deferred taxation	15	820	-
		<u>1,611,743</u>	<u>1,925,768</u>
Capital and reserves			
Called up share capital	16	400,000	400,000
Profit and loss account	17	1,211,743	1,525,768
		<u>1,611,743</u>	<u>1,925,768</u>
Equity shareholders' funds			
		<u>1,611,743</u>	<u>1,925,768</u>

Approved by the Board on 25 April 2005



J P Safey
Director

Notes to the financial statements

at 30 June 2004

1. Accounting policies

Accounting convention

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

Basis of consolidation

The group accounts consolidate the accounts of Sealord (Europe) Limited and its subsidiaries. No profit and loss account is presented for Sealord (Europe) Limited as permitted by section 230 of the Companies Act 1985.

Cashflow statement

The company is a wholly owned subsidiary of Sealord Group Limited and is included in its consolidated accounts which are publicly available. The directors have taken advantage of the exemption from preparing a cashflow statement in accordance with Financial Reporting Standard No 1 (Revised 1996).

Intangible Fixed Assets - Goodwill

Goodwill is the excess purchase price over the fair value of the assets acquired. Goodwill is amortised over its expected useful life.

Tangible Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the original cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Short leasehold buildings	over term of lease
Leasehold improvements	over term of lease
Fixtures & fittings	over 5 - 10 years
Motor vehicles	4 years

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Finished goods for resale - purchase costs on a first-in, first-out basis plus attributable processing costs. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Notes to the financial statements

at 30 June 2004

1. Accounting policies (continued)

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets, only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- deferred tax assets 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 a non-discounted 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.

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 year end rate of exchange. All exchange differences are dealt with through the profit and loss account, except for exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings, which are taken directly to reserves.

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the terms of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover represents the invoiced amount of goods sold stated net of value added tax.

Turnover is attributable to one continuing activity, the distribution of seafood products, and one geographical area, Europe.

Notes to the financial statements

at 30 June 2004

3. Operating profit

This is stated after charging:

	2004 £	2003 £
Auditors' remuneration		
- audit services	53,143	39,570
- non audit services	3,815	19,269
Depreciation	251,101	182,087
Goodwill amortisation	72,202	48,996
Operating lease rentals		
- motor vehicles	71,000	110,874
- buildings	83,608	113,400
Foreign exchange differences	(536,481)	108,164

4. Staff costs

	2004 £	2003 £
Wages and salaries	2,238,884	2,504,623
Social security costs	575,223	232,598
Other pension costs	66,920	19,912
	<u>2,881,027</u>	<u>2,757,133</u>

The average number of employees (excluding directors) during the year was:

	2004 No.	2003 No.
Selling and administration	30	20
Manufacturing	56	83
	<u>86</u>	<u>103</u>

5. Directors' Emoluments

The directors are also directors of the immediate parent undertaking Sealord Group Limited in whose accounts their emoluments are disclosed. The emoluments of these directors were paid by the immediate parent undertaking. The directors do not believe it is practicable to apportion these emoluments between their services as directors of the company and their services as directors of the immediate parent undertaking.

6. Interest payable

	2004 £	2003 £
Group interest payable	57,390	19,531
Bank overdraft	1,740	44,657
	<u>59,130</u>	<u>64,188</u>

Notes to the financial statements

at 30 June 2004

7. Tax charge on profit on ordinary activities

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004 £	2003 £
Current tax:		
UK corporation tax	341,157	348,460
Adjustment in respect of previous years	5,648	(45,587)
	<u>346,805</u>	<u>302,873</u>
Foreign tax	269,503	536,537
	<u>616,308</u>	<u>839,410</u>
Total current tax (note 7(b))		
Deferred tax:		
Origination and reversal of timing differences	13,476	597
Adjustments in respect of previous periods	(501)	(5,006)
	<u>12,975</u>	<u>(4,409)</u>
Group deferred tax (note 7(c))		
	<u>629,283</u>	<u>835,001</u>

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before tax	1,770,362	2,634,881
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 – 30%).	531,108	790,464
Expenses not deductible for tax purposes (including goodwill amortisation)	52,490	66,758
Depreciation in excess of capital allowances	2,498	(7,414)
Short term timing differences	(15,974)	6,817
Adjustments in respect of previous periods	5,648	(45,587)
Movement on unprovided deferred tax	8,798	-
Rate differences	27,302	35,489
Utilisation of tax losses	-	(7,117)
Tax losses carried forward	4,438	-
	<u>616,308</u>	<u>839,410</u>
Total current tax (note 7(a))		

Notes to the financial statements

at 30 June 2004

7. Tax charge on profit on ordinary activities (continued)

c) Deferred tax

Group

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

	2004 £	2003 £
Accelerated capital allowances	109,934	114,335
Other short term timing differences	(3,000)	(20,861)
	<u>106,934</u>	<u>93,474</u>
		£
At 1 July 2003		93,474
Deferred tax charge to group profit and loss account (note 7(a))		14,181
Adjustment in respect of prior years		(1,206)
Exchange difference		485
		<u>106,934</u>
At 30 June 2004		

Company

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

	2004 £	2003 £
Accelerated capital allowances	820	9,388
Other timing differences	-	(20,861)
	<u>820</u>	<u>(11,473)</u>
		£
At 1 July 2003		(11,473)
Deferred tax charge to profit and loss account		13,499
Adjustment in respect of prior years		(1,206)
		<u>820</u>
At 30 June 2004		

Notes to the financial statements

at 30 June 2004

8. Profit attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £314,024 (2003 – profit of £508,514).

9. Intangible fixed assets

	<i>Goodwill</i>
	<i>£</i>
Cost:	
As at 1 July 2003	1,054,889
Additions	464,121
	<hr/>
As at 30 June 2004	1,519,010
	<hr/>
Amortisation:	
At 1 July 2003	205,650
Charge for year	72,202
	<hr/>
At 30 June 2004	277,852
	<hr/>
Net book value:	
At 30 June 2004	1,241,158
	<hr/>
At 1 July 2003	849,239
	<hr/>

Additions relate to the acquisition of the final 10% shareholding in Sealord Caistor Limited on 1 July 2003. Goodwill is written off in equal instalments over its estimated economic life of 20 years.

Notes to the financial statements

at 30 June 2004

10. Tangible fixed assets

	<i>Short leasehold buildings</i> £	<i>Leasehold improvements</i> £	<i>Fixtures & fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
<i>Group</i>					
Cost:					
At 1 July 2003	136,122	394,488	1,856,863	5,500	2,392,973
Additions	-	-	162,322	-	162,322
Disposals	-	(1,525)	(206,806)	-	(208,331)
Exchange difference	-	-	(5,066)	-	(5,066)
At 30 June 2004	136,122	392,963	1,807,312	5,500	2,341,897
Depreciation:					
At 1 July 2003	53,830	25,651	802,545	948	882,974
Charge	13,808	(45,838)	189,179	2,276	251,101
Disposals	-	1,525	(190,391)	-	(191,916)
Exchange difference	-	-	(2,062)	-	(2,062)
At 30 June 2004	67,638	69,964	799,271	3,224	940,097
Net book value:					
At 30 June 2004	68,484	322,999	1,008,041	2,276	1,401,800
At 1 July 2003	82,292	368,837	1,054,318	4,552	1,509,999
<i>Company</i>					
Cost:					
At 1 July 2003	31,144	-	280,246	-	311,390
Additions	-	-	164	-	164
Disposals	-	-	(175,978)	-	(175,978)
At 30 June 2004	31,144	-	104,432	-	135,576
Depreciation:					
At 1 July 2003	3,605	-	205,790	-	209,395
Charge for year	4,195	-	21,600	-	25,795
Disposals	-	-	(161,145)	-	(161,145)
At 30 June 2004	7,800	-	66,245	-	74,045
Net book value:					
At 30 June 2004	23,344	-	38,187	-	61,531
At 1 July 2003	27,539	-	74,456	-	101,995

Notes to the financial statements

at 30 June 2004

11. Investments

Company

*Subsidiary
undertakings
£*

Cost:

At 1 July 2003

1,548,026

Additions

627,200

At 30 June 2004

2,175,226

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Keith Graham Limited	England	Ordinary shares	100%	Marketing and distribution of seafood products
Sealord France SAD	France	Ordinary shares	100%	Marketing and distribution of seafood products
Sealord Spain SL	Spain	Ordinary shares	100%	Marketing and distribution of seafood products
Sealord Caistor Limited	England	Ordinary shares	100%	Marketing and distribution of seafood products
J P Klausen Seafood Invest ApS	Denmark	Ordinary shares	60%	Purchase and sale of fish

On 1 July 2003, a final 10% holding was acquired in Sealord Caistor Limited.

12. Debtors

	<i>2004 £</i>	<i>Group 2003 £</i>	<i>2004 £</i>	<i>Company 2003 £</i>
Trade debtors	12,393,228	10,578,431	228,201	872,576
Amounts owed by group undertakings	-	-	59,102	844,462
Prepayments and other debtors	350,152	1,568,682	1,848	440,836
VAT	83,023	127,095	83,023	123,163
Corporation tax	-	-	-	28,725
Deferred taxation	-	-	-	11,473
	<u>12,826,403</u>	<u>12,274,208</u>	<u>372,174</u>	<u>2,231,235</u>

Notes to the financial statements

at 30 June 2004

13. Creditors: amounts falling due within one year

	2004	Group 2003	2004	Company 2003
	£	£	£	£
Loan note	-	175,000	-	175,000
Bank overdraft	3,198,877	2,499,005	-	-
Trade creditors	7,942,114	4,591,545	14,080	170,158
Sundry creditors	772,621	783,629	32,172	342,251
Current corporation tax	326,679	230,363	-	-
Dividend payable	90,259	263,766	-	-
Due to group undertaking	7,731,322	9,151,069	1,176,236	1,642,017
Other taxes and social security costs	44,925	41,370	-	-
	<u>20,106,797</u>	<u>17,735,747</u>	<u>1,222,488</u>	<u>2,329,426</u>

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

	2004	Group 2003	2004	Company 2003
Amounts payable after five year loan: Loan from parent Company at bank base rate plus 2% per annum with no fixed maturity date	750,000	1,447,790	750,000	750,000
	<u>750,000</u>	<u>1,447,790</u>	<u>750,000</u>	<u>750,000</u>

15. Deferred taxation

	Group £	Company £
At 30 June 2003	93,474	(11,473)
Provided in the year	14,181	13,499
Adjustments in respect of prior years	(1,206)	(1,206)
Exchange difference	485	-
At 30 June 2004	<u>106,934</u>	<u>820</u>

Deferred tax had been fully provided in the accounts as follows:

	2004 £	Group 2003 £	2004 £	Company 2003 £
Capital allowances in advance of depreciation	109,934	114,335	820	9,388
Other short-term timing differences	(3,000)	(20,861)	-	(20,861)
	<u>106,934</u>	<u>93,474</u>	<u>820</u>	<u>(11,473)</u>

Notes to the financial statements

at 30 June 2004

16. Share capital

	<i>Authorised, allotted, called up, and fully paid</i>			
	<i>2004</i> <i>No.</i>	<i>2003</i> <i>No.</i>	<i>2004</i> <i>£</i>	<i>2003</i> <i>£</i>
Ordinary shares of £1 each	400,000	400,000	400,000	400,000

17. Reconciliation of equity shareholders' funds and movement on reserves

	<i>Share capital £</i>	<i>Profit and loss accounts £</i>	<i>Total share- holders' funds £</i>
<i>Group</i>			
At 1 July 2002	400,000	2,818,877	3,218,877
Retained profit for the year	-	1,729,613	1,729,613
Exchange differences	-	101,372	101,372
At 30 June 2003	400,000	4,649,862	5,049,862
Retained profit for the year	-	1,069,397	1,069,397
Exchange differences	-	(43,291)	(43,291)
At 30 June 2004	400,000	5,675,968	6,075,968
<i>Company</i>			
At 1 July 2002	400,000	1,017,254	1,417,254
Retained profit for the year	-	508,514	508,514
At 30 June 2003	400,000	1,525,768	1,925,768
Retained loss for the year	-	(314,025)	(314,025)
At 30 June 2004	400,000	1,211,743	1,611,743

18. Other financial commitments

At 30 June 2004 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>2004</i>		<i>2003</i>	
	<i>Other £</i>	<i>Buildings £</i>	<i>Other £</i>	<i>Buildings £</i>
Operating leases which expire:				
Within one year	26,945	29,709	14,209	-
In two to five years	59,685	59,953	24,453	55,050
In over five years	-	25,616	5,616	-
	86,630	115,278	44,278	55,050

Notes to the financial statements

at 30 June 2004

19. Capital commitments

At 30 June 2004, the group had contracted for, but not provided for capital expenditure of £ Nil (2003 - £Nil).

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. There is no monthly commitment by the company other than the current month's contribution. There were no unpaid contributions outstanding at the year end (2003 - £Nil).

21. Related party transactions

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with other entities who are part of the group of which Sealord Group Limited is the parent undertaking, as the consolidated accounts of that group are publicly available.

There are no other related party transactions requiring disclosure under FRS 8.

22. Parent undertaking and controlling party

The company's immediate parent undertaking is Sealord Group Limited, a company incorporated in New Zealand, which holds 100% of the issued shares of the company. It has included the company in its group accounts, copies of which can be obtained from P O Box 11, Corner Trafalgar and Bridge Street, Nelson, New Zealand.

The directors believe that the ultimate parent undertakings and controlling parties are Nippon Suisan Kaisha Ltd (incorporated in Japan) and the Treaty of Waitangi Fisheries Commission (an organisation set up by the New Zealand Government to control Maori fishing interests).

On 28 November 2004, Aotearoa Fisheries Limited acquired the Treaty of Waitangi Fisheries Commissions share in Sealord Group Limited.

At the date of signing the accounts the directors regard Nippon Suisan Kaisha Limited and Aotearoa Fisheries Limited as the ultimate controlling parties.