



# **The Scottish Salmon Company Plc Q4 2013 Report**

28 February 2014



## HIGHLIGHTS

- Revenues of £21.5m (Q4 2012: £27.8m) achieved on harvest volumes of 5,271 tonnes (8,336 tonnes)
- EBIT before Biomass Fair Value Adjustment was a loss of £1.0m in the quarter (loss of £0.4m in Q4 2012)
- Additional licence obtained in Greanamull in the Western Isles, with consent of 2,400 tonnes
- Full year EBIT before Biomass Fair Value Adjustment and exceptional items was £3.3m (2012:£0.5m) on 3,120 tonnes less volume. Harvest volume guidance for 2014 is 27,000 tonnes

## KEY FIGURES

£ 000's	Q4 2013	Q4 2012	FY 2013	FY 2012
Net operating revenues	21,515	27,751	82,401	79,491
Earnings before depreciation (EBITDA) and Exceptional Items	796	1,403	10,676	7,628
EBIT before fair value adj. biom and Exceptional Items	(1,024)	(394)	3,280	511
Earnings before interest and taxes (EBIT)	6,253	(1,247)	10,632	(1,723)
Net financial items	(1,988)	(595)	(6,342)	(2,516)
Exceptional Items	-	(1,719)	-	(2,624)
Earnings before taxes (EBT)	4,062	(1,933)	3,464	(4,698)
EBITDA before fair value adj. biom. %	3.7%	5.1%	13.0%	4.8%
EBIT before fair value adj. biom. %	-4.8%	-7.6%	4.0%	-2.7%
EBIT %	29.1%	-4.5%	12.9%	-2.2%
Net interest bearing debt	50,720	37,230	50,720	37,230
Book equity	62,640	59,674	62,640	59,674
Equity ratio	45%	49%	45%	49%
Harvest volume, HOG tonnes	5,271	8,336	20,825	23,945
EBIT before FV Adj. Biomass /kg (GWE) (£)	(0.19)	(0.05)	0.16	0.02
Number of shares in issue (million)	166.8	166.8	166.8	166.8
Basic Earnings per share (pence per share)	1.75	(0.83)	1.78	(1.74)
Diluted Earnings per share (pence per share)	1.75	(0.83)	1.78	(1.74)



## SUMMARY RESULTS FOR THE PERIOD

The Scottish Salmon Company Plc (SSC or the Company) finishes the year in terms of harvest volumes and EBIT, with a positive variance against the 2012 performance. This improvement is due to the significant increase in global salmon prices, albeit that the Company was unable to take full advantage of the superior spot prices as a result of previously contracted sales.

Revenues in the quarter were up on Q3, at £21.5m (Q4 2012 £27.8m), resulting in £82.4m for the year (2012 £79.5m).

Q4 volumes were 3,065 tonnes below Q4 2012 and by a similar amount year on year. This shortfall arose due to an imbalance due to site configuration and the farming cycle and the following factors:

- the impact on harvesting following AGD which affected juvenile fish in 2012
- ongoing mortality issues at two sites in Gigha which particularly affected Q4 results
- lower harvesting volumes due to poor weather in December 2013

Production costs were higher than planned as a result of the factors mentioned above, although were an improvement on Q3.

The Company's EBIT before Biomass Fair Value Adjustment and exceptional items for 2013 rose to £3.3m from £0.5m in 2012.

The planned contracted levels at 60% for 2014 provides opportunities to take advantage of the expected strong market by securing contract sales at significantly higher prices than 2013.



## OPERATIONAL REVIEW

SSC is seeking to realign its strategy and operational infrastructure. The initial focus has been on several key areas in order to achieve this:

- fish health monitoring systems and processes surrounding husbandry techniques
- production efficiencies, particularly in relation to fish nutrition
- a drive to address the production imbalance including internal re-alignment of cycles

Fish health continues to be a priority for the Company. SSC continues to progress its broodstock programme and its Hebridean strain of Atlantic salmon.

Stock due to be harvested in 2014 is performing well with good growth and no major biological challenges.

Site optimisation plans to enable the Company to address both its production imbalance and increase production, year on year, are in place.

The newer sites in Mull and at Loch Striven are now fully operational, whilst consents have now also been secured for the extension of the Portree site, with a further new site, Greanamull in the Western Isles, now also approved, resulting in an additional 3,200 tonnes consent volume. The equipment and stocking of the extension and new site in 2014 will start to even out production volumes and result in increasing harvesting volumes.

The legal action raised against Trouw (UK) Limited is ongoing with nothing further to report.



## FINANCIAL POSITION

### Statement of Comprehensive Income

The Group generated Operating Revenues of £21.5m (Q4 2012: £27.8m) in the quarter, the decrease due to harvested volumes being around 3,000 tonnes lower than in Q4 2012. EBITDA before Fair Value Adjustment on Biomass and Exceptional Items was £0.8m (Q4 2012: £1.4m).

Earnings before Fair Value Adjustment on Biomass and Exceptional Items was a loss of £1.0m (Q4 2012: loss of £0.4m) for the quarter.

Earnings before Fair Value Adjustment on Biomass and exceptional items for the year were £3.3m (2012: £0.5m), reflecting an improvement in performance.

### Statement of Financial Position

The total book value of assets was £138.8m at the end of Q4 2013 (Q4 2012: £121.1m), with biomass accounting for £66.1m (Q4 2012: £45.0m) of the current assets.

As at 31 December 2013, the Group had net interest bearing debt of £50.7m (Q4 2012: £37.2m), driven by the drawdown of borrowings to fund the increase in working capital and the Group's growth strategy.

The book value of equity totalled £62.6m at the end of Q4 2013 (Q4 2012: £59.7m). The equity ratio was 45% at the end of Q4 2013 (Q4 2012: 49%).

### Statement of Cash Flows

Cash flow from operating activities in Q4 2013 resulted in a net outflow of £2.7m (Q4 2012: inflow of £3.5m).

Investment in new and replacement equipment has accounted for £1.3m (Q4 2012: £1.2m) of capital expenditure in Q4.

£0.5m was repaid on existing borrowings and £0.5m of interest was paid during Q4 2013 (Q4 2012 interest paid: £0.9m).



## IMPORTANT EVENTS DURING AND AFTER THE FOURTH QUARTER 2013

Reference is made to already published information on the Company's webpage and [www.newsweb.no](http://www.newsweb.no), the information distribution system related to Oslo Børs.

5 October 2013: At the Company's Locheport site a fatality occurred and the investigation is ongoing.

4 November 2013: The Company acquired the assets of North Uist Fisheries in the Hebrides, a small freshwater smolt producer.

27 November 2013: Dr Stewart McLelland announced plans to depart the Company.



## MARKET

The market strengthened throughout Q4 2013 and is anticipated to continue to be strong during 2014 and through 2015, while global supply growth is limited.

The current stronger market conditions were reflected in the recent round of contract negotiations. The Company has around 60% of its estimated harvest volume for the year contracted at higher market prices.

The Scottish Salmon Company has recently launched Label Rouge accredited salmon, for premium European markets.

## OUTLOOK

The drive for production balance is ongoing and site optimisation plans are in place. New consents have been secured for a new farm on the Western Isles and an extension of an existing farm on Skye, adding an additional 3,200 tonnes of consent. These will both be equipped and stocked in 2014.

The Hebridean strain of salmon will continue to be developed. Investments have been made through the purchase of the assets of a hatchery renamed Langass Hatchery, in the Western Isles.

The Company's Label Rouge credentials offer entry into the niche French market and provide a strong platform upon which to build. The Company's position as 'Authentically Scottish' with the aim to maximise opportunities that exist for premium Scottish salmon will continue.

Contracted volume is an area that has been reviewed going into 2014 to ensure that SSC maximises its sales revenues, whilst maintaining a consistent revenue stream.

The provenance of our salmon, where it comes from, our feed regime and our husbandry, is core to the development of our strategy for Scottish salmon. Production of high end, premium quality, sustainable salmon, rich in Omega-3 and farmed responsibly, is fundamental to our business. The focus is to develop value through innovative practices and develop distribution channels and new market opportunities.

The Board of Directors

The Scottish Salmon Company Plc  
27 February 2014



## Consolidated Statement of Comprehensive Income

£000's	Q4 2013	Q4 2012	FY 2013	FY 2012
Revenue	21,515	27,751	82,401	79,491
Other revenue	-	-	-	-
<b>Total revenue</b>	<b>21,515</b>	<b>27,751</b>	<b>82,401</b>	<b>79,491</b>
Purchase of goods	(18,305)	(12,854)	(68,788)	(59,026)
Change in inventory and biomass at cost	2,317	(7,974)	14,234	3,805
Salaries and related costs	(2,875)	(3,302)	(11,225)	(11,448)
Restructuring cost	0	(102)	(238)	(102)
Other operating expenses	(1,856)	(2,116)	(5,708)	(5,092)
<b>Earnings before Exceptional Items, depreciation and fair value adj. on biomass</b>	<b>796</b>	<b>1,403</b>	<b>10,676</b>	<b>7,628</b>
<b>%</b>	<b>4%</b>	<b>5%</b>	<b>13%</b>	<b>5%</b>
Exceptional Items	-	(1,719)	-	(2,624)
<b>Earnings before depreciation and fair value adj. on biomass (EBITDA)</b>	<b>796</b>	<b>(316)</b>	<b>10,676</b>	<b>5,004</b>
Depreciation and Impairment	(1,820)	(1,797)	(7,396)	(7,128)
Gain on sales of assets	-	-	-	11
<b>Earnings before fair value adj. on biomass</b>	<b>(1,024)</b>	<b>(2,113)</b>	<b>3,280</b>	<b>(2,113)</b>
<b>%</b>	<b>(5%)</b>	<b>(8%)</b>	<b>4%</b>	<b>(3%)</b>
Change in fair value adjustment on biomass in the year	7,277	866	7,352	390
<b>Earnings before interest and taxes (EBIT)</b>	<b>6,253</b>	<b>(1,247)</b>	<b>10,632</b>	<b>(1,723)</b>
<b>%</b>	<b>29%</b>	<b>(4%)</b>	<b>13%</b>	<b>(2%)</b>
Financial income	1	-	18	107
Interest expenses	(542)	(896)	(2,200)	(1,851)
Other financial expenses (incl fair value adjustments on financial instruments)	(1,447)	301	(4,160)	(772)
Share of Associate's Losses after tax and non-controlling interests	(203)	(91)	(826)	(459)
<b>Earnings before taxes</b>	<b>4,062</b>	<b>(1,933)</b>	<b>3,464</b>	<b>(4,698)</b>
<b>%</b>	<b>19%</b>	<b>(7%)</b>	<b>4%</b>	<b>(6%)</b>
Taxes	(1,144)	544	(498)	1,803
<b>Net earnings from Continuing Operations</b>	<b>2,918</b>	<b>(1,389)</b>	<b>2,966</b>	<b>(2,895)</b>
<b>%</b>	<b>14%</b>	<b>-5%</b>	<b>4%</b>	<b>2%</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Earnings for Year</b>	<b>2,918</b>	<b>(1,389)</b>	<b>2,966</b>	<b>(2,895)</b>
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>2,918</b>	<b>(1,389)</b>	<b>2,966</b>	<b>(2,895)</b>
Number of shares in issue (million)	166.8	166.8	166.8	166.8
Basic Earnings per share (pence per share)	1.75	(0.83)	1.78	(1.74)
Diluted earnings per share (pence per share)	1.75	(0.83)	1.78	(1.74)





## Consolidated Statement of Financial Position

£000's	2013	2012
Licences	21,780	21,015
Goodwill	2,164	2,164
<b>Total intangible assets</b>	<b>23,944</b>	<b>23,179</b>
Property, plant and equipment	34,539	35,566
<b>Total tangible assets</b>	<b>34,539</b>	<b>35,566</b>
Non current assets held for sale	101	200
Investment in associate undertaking	0	826
<b>Total non-current assets</b>	<b>58,584</b>	<b>59,771</b>
<b>Current assets</b>		
Inventory	1,887	1,449
Biological assets	66,125	44,976
Account receivables	10,412	9,604
Other receivables	1,693	2,515
Cash and cash equivalents	67	2,750
<b>Total current assets</b>	<b>80,184</b>	<b>61,294</b>
<b>Total assets</b>	<b>138,768</b>	<b>121,065</b>
<b>Equity</b>		
Share capital	15,425	15,425
Other equity	47,215	44,249
<b>Total equity</b>	<b>62,640</b>	<b>59,674</b>
<b>Non-current liabilities</b>		
Deferred taxes	4,833	4,899
Long-term interest bearing debt	35,706	33,833
Financial Liability held at fair value	8,773	-
<b>Total non-current liabilities</b>	<b>49,312</b>	<b>38,732</b>
<b>Current liabilities</b>		
Short-term interest bearing debt	6,241	6,147
Accounts payable	17,013	14,147
Other short-term liabilities	2,802	1,941
Current Taxes	672	90
Provisions	87	334
<b>Total current liabilities</b>	<b>26,815</b>	<b>22,659</b>
<b>Total liabilities</b>	<b>76,127</b>	<b>61,391</b>
<b>Total Equity and Liabilities</b>	<b>138,767</b>	<b>121,065</b>
Equity Ratio	45%	49%



## Consolidated Statement of Cash Flows

£000's	Q4 2013	Q4 2012	FY 2013	FY 2012
Earnings before interest and taxes	6,253	(1,247)	10,632	(1,723)
Fair Value adjustment to Biomass	(7,277)	(867)	(7,352)	(390)
Taxes paid	(2)	-	(2)	(65)
Depreciation and Impairment of property plant and equipment	1,820	1,797	7,396	7,128
Gain/loss on asset disposals	-	-	-	(11)
Other financial expenses	(99)	299	(240)	(772)
Change in inventory, payables and receivables	(3,365)	3,548	(11,572)	(825)
<b>Cash flow from operations</b>	<b>(2,670)</b>	<b>3,530</b>	<b>(1,138)</b>	<b>3,342</b>
<b>Investing Activities</b>				
Proceeds from sale of property, plant & equipment	-	-	-	11
Purchase of fixed assets	(1,328)	(1,205)	(6,104)	(10,201)
Sale/(Purchase) of intangible assets	(765)	-	(765)	(720)
<b>Cash flow from investing activities</b>	<b>(2,093)</b>	<b>(1,205)</b>	<b>(6,869)</b>	<b>(10,910)</b>
<b>Financing activities</b>				
Proceeds from long term borrowings	-	-	11,896	10,000
Repayments on borrowings	(500)	-	(6,143)	(3,701)
Interest Paid	(542)	(896)	(2,200)	(1,851)
Financial Income	1	-	18	107
<b>Cash flow from financing</b>	<b>(1,041)</b>	<b>(896)</b>	<b>3,571</b>	<b>4,555</b>
<b>Net change in cash &amp; cash equivalents in period</b>	<b>(5,804)</b>	<b>1,429</b>	<b>(4,436)</b>	<b>(3,013)</b>
Cash & cash equivalents - opening balance	4,118	1,321	2,750	5,763
Net change in cash & cash equivalents in period	(5,804)	1,429	(4,436)	(3,013)
<b>Cash &amp; cash equivalents - closing balance total</b>	<b>(1,686)</b>	<b>2,750</b>	<b>(1,686)</b>	<b>2,750</b>
<b>Summary of Cash Flows</b>				
£000's	Q4 2013	Q4 2012	FY 2013	FY 2012
Cash flow from operations	(2,670)	3,530	(1,138)	3,342
Cash flow from investments	(2,093)	(1,205)	(6,869)	(10,910)
Cash flow from financing	(1,041)	(896)	3,571	4,555
<b>Net cash flow in the period</b>	<b>(5,804)</b>	<b>1,429</b>	<b>(4,436)</b>	<b>(3,013)</b>

Note:

Cash and cash equivalents includes bank overdraft which is shown in the Statement of Financial Position as part of short term interest bearing debt.



## Consolidated Statement of Changes in Equity

£000's	Issued Capital	Share Premium Reserve	Other Capital reserves	Retained Earnings	Discontinued Operations	Total Equity
<b>Equity at 1 January 2013</b>	15,425	55,112	(36,504)	26,557	(916)	59,674
Comprehensive Income for the period	-	-	-	2,966	-	2,966
<b>Total Gains and Losses recognised in Equity</b>	15,425	55,112	(36,504)	29,523	(916)	62,640
<b>Equity at 31 December 2013</b>	15,425	55,112	(36,504)	29,523	(916)	62,640
<b>At 1 January 2012</b>	15,425	55,112	(36,504)	29,452	(916)	62,569
Comprehensive Income for the period	-	-	-	(2,895)	-	(2,895)
<b>Total Gains and Losses recognised in Equity</b>	15,425	55,112	(36,504)	26,557	(916)	59,674
Dividend Paid	-	-	-	-	-	-
<b>At 31 December 2012</b>	15,425	55,112	(36,504)	26,557	(916)	59,674

## Segment Reporting

The table below represents geographical operating income of the Group.

	Q4 2013		Q4 2012		FY 2013		FY 2012	
	Value (£000's)	%	Value (£000's)	%	Value (£000's)	%	Value (£000's)	%
UK	13,256	62%	17,811	64%	52,236	63%	55,181	69%
North America	449	2%	318	1%	4,600	6%	2,432	3%
France	4,491	21%	7,294	26%	13,434	16%	14,071	18%
Other Europe	2,146	10%	1,924	7%	9,077	11%	6,132	8%
Far East	1,173	5%	404	2%	3,054	4%	1,675	2%
<b>TOTAL</b>	<b>21,515</b>		<b>27,751</b>		<b>82,401</b>		<b>79,491</b>	



## NOTES

### Note 1: General Information

The results for the quarter and its comparatives encompass the results of the Group as a combined entity.

The Scottish Salmon Company Plc is a company incorporated in Jersey.

The activities of the main subsidiary, The Scottish Salmon Company Limited, are on the West Coast and Islands of Scotland and involve salmon farming with related processing.

Company information:

#### Registered Address

The Scottish Salmon Company Plc  
First Island House  
Peter Street  
St Helier  
Jersey  
JE4 8SG  
[www.scottishsalmon.je](http://www.scottishsalmon.je)

#### UK Address of the Main Subsidiary

The Scottish Salmon Company Limited  
8 Melville Crescent  
Edinburgh  
EH3 7JA

#### The Scottish Salmon Company Limited IR Contacts:

Clare White      Interim CFO  
Su Cox            Investor Relations

This financial report was authorised for issue by the Board of Directors on 27 February 2014.

### Note 2: Basis for the Quarterly Report – Accounting Principles

The quarterly report presents the financial performance and financial position of The Scottish Salmon Company Group.

The report has been prepared in accordance with International Financial Reporting Standards (IFRS), applicable to interim financial reporting, as adopted by the European Union.

The report has not been subject to any external audit.

The same accounting principles and methods for calculation which were used with respect to the last annual report (2012) have been used in the preparation of this quarterly report. The Group's accounting principles are described in detail in its annual report for 2012, which is available on the Group's website [www.scottishsalmon.com](http://www.scottishsalmon.com).



IFRS 13 – Fair Value Measurement, was a new reporting standard adopted by the Group in 2013. The application of IFRS 13 by the Group has resulted in the presentation of extended disclosures for biological assets and financial instruments held at fair value. There is no impact to the measurement basis as a result of the standard.

### Note 3: Specifications Related to Biological Assets

#### Biomass

£000's	31.12.13	31.12.12
Fair value adjustment on fish in Statement of Financial Position	9,441	2,089
<b>Total value of fish in Statement of Financial Position</b>	<b>63,758</b>	<b>41,924</b>
Book value of smolt in the Statement of Financial Position	2,367	3,052
<b>Total value of biomass in Statement of Financial Position</b>	<b>66,125</b>	<b>44,976</b>

IAS 41 requires that biomass is accounted for at the estimated fair value net of selling and harvesting costs. Fair Value is measured in accordance with IFRS 13 and is categorised into level 3 in the fair value hierarchy as the inputs include unobservable inputs.

The calculation of the estimated fair value is based on market prices for harvested fish. These prices are reduced for harvesting costs and freight costs to arrive at a net value for each individual farm. The valuation also then reflects the expected survival and quality grading per region. In the accounts the change in estimated fair value is recorded separately in the Consolidated Statement of Comprehensive Income.

There is no clear defined published market price for Scottish salmon. In the valuation model the Group uses future published prices for Norwegian salmon.

The valuation model is completed for each region individually on the key assumptions of growth and survival and also on the key costs associated with on-growing, capital, harvesting and freight of the fish. The forecasted costs are deducted from the forecasted revenues and the expected cash flow is discounted to a Net Present Value of biomass per site. No fair value adjustment is made for juvenile fish.

The valuation model by its nature is based upon uncertain assumptions on sales price, quality, growth, survival etc and whilst the Group has a degree of expertise in these assumptions they are subject to change. Relatively small changes in assumptions have a significant impact on the valuation. For example a 10p per kg rise in sales price would have an impact on the valuation of £900,000.

Any changes to the fair value assumptions are treated as a change in accounting estimates and are applied in accordance with IAS 8.



## Note 4: Debt and Financing

The Scottish Salmon Company Limited has the following bank facilities now available with DNB Bank ASA:

- a £9.05m Term Loan facility, a £9m Term Loan facility, £40m of revolving credit facilities and a £2m overdraft facility. The £9.05m Term Loan facility is being repaid in half yearly instalments with the final payment due March 2017. The £9m Term Loan facility is being repaid in quarterly instalments of £500k with the final payment due April 2017;
- £25m of the £40m revolving credit facility has been drawn down at the end of the period. Further draw down of the facility is dependant on a number of factors, including future receipt of £5m net proceeds from further subordinated debt or a future share issue in 2014; and
- £20m of the revolving credit facilities will expire in March 2017 with the remainder expiring March 2019.

In Q1 2013, the Scottish Salmon Company Plc received a £5m loan in the form of a convertible bond from the Company's largest shareholder, Northern Link Limited.

During Q2 2013, The Scottish Salmon Company Limited refinanced its other loans, replacing £1.9m of short term debt with a new loan, which is repayable over 4 years in bi-annual instalments of £0.24m. The loan carries an interest rate of 3.5% over LIBOR and is secured by a 2<sup>nd</sup> ranked Floating Charge over the assets of The Scottish Salmon Company Limited.

The following financial covenants applied to the loan facilities are calculated on consolidated numbers and verified in a quarterly Compliance Certificate to be delivered together with annual and interim financial statements:

- a) gearing ratio, defined as the ratio of Net Interest Bearing Debt (NIBD) to EBITDA shall not be greater than 3.5x;
- b) equity ratio, defined as the ratio of Total Equity to Total Assets shall at any time not be less than 35%; and
- c) borrowing base on drawings of £30m Revolving and Overdraft Facility shall at any time be based on defined percentages of the biological inventory levels and receivables.

Following the waivers agreed in 2012, the Group agreed a longer term adjustment to the gearing ratio covenant at the end of Q4 2012. This moves the covenant away from a NIBD to EBITDA basis to a quarterly 12 month rolling EBITDA target. The covenant will revert back to the gearing ratio as defined above of 4.5x in Q3 2014 and 3.5x thereafter from Q4 2014.

The Group believes that the covenants have been met throughout the quarter.

## Note 5: Convertible Bond

In Q1 2013, The Scottish Salmon Company Plc received a £5m subordinated loan from Northern Link in the form of a convertible bond. The conversion options embedded in the loan are classed as an embedded derivative. The Group has applied the measurement basis permitted under IAS 39 of measuring the combined instrument at fair value through profit and loss. The Group believes this provides more relevant and reliable information to the users of the financial statements than separating the derivative from its host instrument. The combined instrument is measured at fair



value in accordance with IFRS 13. The measurement is categorised as level 2 in the fair value hierarchy as it is based on observable market and other inputs (being quoted share price and foreign exchange rates). The loan carries an interest rate of 2% over the rate payable on the bank loan. The loan is repayable in two equal semi-annual instalments following 2 consecutive quarters in which certain requirements of the Gearing Ratio covenant are met. The conversion share price is NOK2.45. Any exchange and fair value movements are included in Other Financial Items and the coupon interest shown in interest payable.

	Financial Instrument at Fair Value	Interest	Other Financial Items
Nominal Value of Loan Received	5,000	-	-
<i>Recognised in Q4 2013</i>			
Coupon Interest	268	268	-
Currency Effects	(785)	-	(785)
Change in Fair Value Equity Conversion	4,290	-	4,290
<b>Net Recognised at 31 December 2013</b>	<b>8,773</b>	<b>268</b>	<b>3,505</b>

### Note 6: Commitments

At 31 December 2013, The Scottish Salmon Company Limited had capital commitments amounting to £425,000.

### Note 7: Investment in Associate Undertaking

The Scottish Salmon Company Plc holds 33% of the ordinary share capital and 33% of the voting rights in Scottish Seafood Investments Limited (SSI), a joint initiative with its majority shareholder Northern Link Limited.

The Scottish Salmon Company Plc has invested £1.423m into SSI. The Board of Directors consider the investment in SSI to represent an investment in an associate and as such have applied the provisions of IAS 28 to the investment.

The Group's share of losses for the quarter is £203k. This has reduced the Value of the Group's interest to £nil at the period end.

During the quarter the Group sold goods amounting to £3.32m to subsidiary companies of the SSI Group and at the period end was due £2.4m in trade receivables.

### Note 8: Earnings per Share (EPS)

The equity conversion option on the convertible bond was "in the money" at the end of the reporting period, but the effect on EPS was anti-dilutive, and the convertible bond is therefore not included in diluted EPS.