

Costs and Earnings of the UK Sea Fish Processing Industry 2001

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April 2002

ISBN 0 903941 65 1

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The logo for SEAFISH, featuring the word "SEAFISH" in a bold, sans-serif font. The letters are contained within a stylized, wavy horizontal line that resembles a fish's tail or a wave.

Acknowledgements

The authors would like to extend their thanks to the processors who contributed their time to participate in interviews and complete questionnaires, and also to processors who offered comments and contributions to the structure of the questionnaire prior to the survey.

Other Seafish staff who interviewed processors for the survey made an important contribution to this research. These included Aoife Martin, Jim Watson, Liz Ribchester, Jill Currie, David Cleghorn and John Tower.

Thanks are also due to Scottish Enterprise and Yorkshire Forward, for making significant contributions to the funding of this project.

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Introduction

Following research into the UK processing industry published in 2000 by Seafish, it was accepted that it would be helpful to have financial performance indicators from all sectors of the processing industry. There were also requests from industry members who received benchmarking reports following the 2000 research, who wanted to be able to compare companies by more detailed categorisations, such as, the degree of mechanisation employed in processing operations.

This costs and earnings survey therefore follows to some extent the pattern of the financial elements of the 2000 survey, but covers all sections of the seafish processing industry and splits companies into more detailed categories.

Data were gathered direct from companies in the form of completed questionnaires and detailed management accounts, and also from published accounts of limited companies, via the Merlin Scott report and Companies House. Some of the data included in the analyses is therefore from companies which did not return the survey questionnaire, but about which we have enough information from previous surveys or from the companies' own publicity material, to categorise them for the purpose of these analyses.

What are we doing and how well are we doing it?

This report is intended to categorise the UK processing industry so that managers in processing firms can consider which sectors are currently more successful and compare their own financial results against the average figures published. This way they can begin to think about what their company is actually doing - because they have the authority to change what it does in terms of type of fish processed, type of processing, degree of mechanisation, customer profile and so on. Managers can also compare their financial performance to others in their sector to find out how much room for improvement there is in the activities of their company.

If a company is not the most successful in its class, a detailed benchmarking report from Seafish based on data submitted, may indicate the area of concern. If any business wants further assistance thinking through the implications of comparing their financial performance to others, help is available via the Seafish Economics Department.

Structure of this report

This report consists of a series of financial performance tables and related graphs which combine data from more than one table. The tables are grouped according to various ways of categorising processing businesses - a full list is given on the

contents page. The categorisations were chosen in consultation with processing companies which took part in benchmarking in 2000/2001.

In each section there are descriptions of the results and discussion of the possible interpretations and implications for businesses involved.

Companies which completed survey questionnaires and supplied management accounts will receive individual benchmarking reports.

CHAPTER ONE

Processing Type Analysis – Primary, Mixed and Secondary

1.1 Process Type

Tables 1.1 (p15) to 1.3 (p17) show financial results for processors throughout the UK, divided into groups according to the type of processing that they do, primary, secondary or a mix of both types.

There is some difference of opinion about the categorisation of certain processes as primary or secondary, especially for instance, smoking and freezing. In a structured study such as this, it is necessary to make a choice and in this survey, companies were given the same definitions as were given in previous Seafish processing surveys, in order to have comparability of results. Smoking and freezing are therefore considered to be secondary processes in this study, so a small processor carrying out filleting and smoking operations, would be categorised as a Mixed processor in this report. Packing fish in modified atmosphere packaging is also categorised as a secondary process. Please refer to the Glossary on p 101 for further details.

Tables 1.1 (p 15), 1.2 (p 16) and 1.3 (p 17) show results for companies grouped only according to the type of process carried out, so companies of all sizes are included. This is clear from the range of turnover figures in each case. The results indicate a remarkable similarity in the costs and earnings profile of primary and mixed processors and this was borne out by statistical tests that showed there is no significant difference between the mean pre-tax profit or mean operating profit as a percent of sales for the two groups. There is however a significant difference in the figures for the average of Fish Purchases as a percentage of sales between Primary and Mixed processors. These average figures are very similar to those published in the 2000 Survey of UK Sea Fish Processing, both figures in this report being a little higher than the previous year. This is to be expected since processors engaged in a mix of primary and secondary processes are likely to use a higher proportion of non-fish ingredients in their products and on average, would add more value than processors engaged only in primary activities. Figures for Fish Purchases as a percentage of sales were not available for Secondary processors as too few companies completed that part of the survey questionnaire.

The Secondary processors group was smaller than the others although the sample size as a percentage of the population was good (see page 99 for sample sizes). On average their pre-tax profit as a percent of sales was -1.8% and the average operating profit as a percentage of sales (before deduction of interest paid) was -0.2%. The data in this table includes profit and loss figures from several of the largest processors in the UK, although not all of these returned the survey questionnaire.

The financial performance of secondary processors recorded for 2000 was not as good as was found in previous Seafish research. It should be noted however that the processing survey published in 1996 included mixed processors in the secondary processors category, so these figures are not a direct comparison.

Published figures from some of the largest processing companies in the UK have been used to carry out a time trend analysis of turnover, operating profit and pre-tax profit (graph 1.1, p10). A few of the largest companies involved in fish processing cannot be included in these analyses because fish processing contributes less than 50% of their total turnover, and we do not have access to discrete figures representing only the fish processing activities.

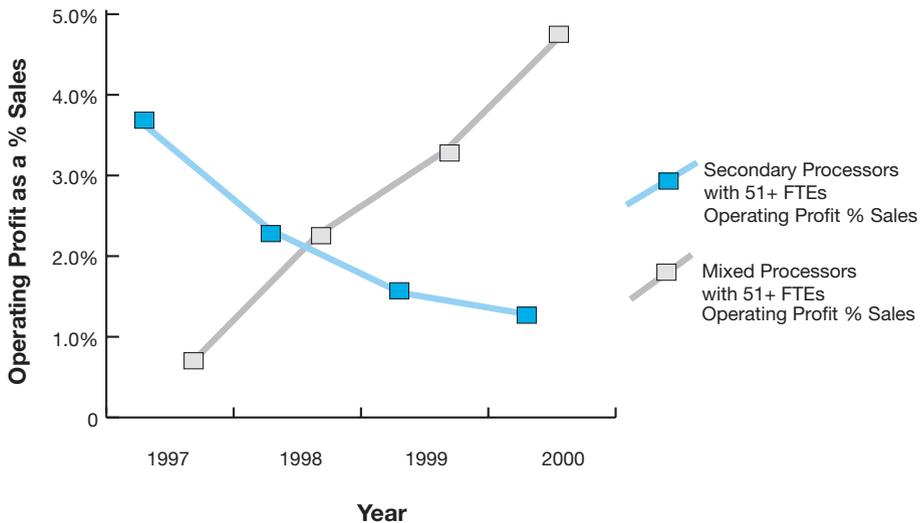


Figure 1.1 Operating Profit as a percentage of Sales for Mixed and Secondary Processors, 51+ FTEs

These graphs show a summary of published financial results for large secondary companies and large mixed companies. It is important to remember that some of the largest companies are categorised as mixed, because they engage in both primary and secondary processes, even though these different stages of processing may be at separate processing plants.

The graph shows that for this sample of the largest secondary and mixed processing companies whose published accounts were available, there has been a steady decrease in profitability for secondary only processors from 1997 to 2000 and increase in profitability for mixed processors over the same period.

It may have been expected that, by focussing on only high value adding activities such as breaching/battering, smoking, cooking and preparing ready meals, companies would achieve higher margins than primary processing companies, and indeed, this was previously seen to be the case. In fact, the figures presented here (all from

audited, published accounts) show that the margins of purely secondary processors are less than those achieved in other sectors. The explanations for this situation are not immediately obvious and further work is required, possibly into the business economics of integrating primary and secondary processes into one company. Consideration could be given to the suggestion that in some cases, activities that add value sometimes add more cost than value. Perhaps some of the research and development activities that larger processors have to undertake to stay popular with supermarkets may not always carry a positive net present value, when the true cost of capital is used.

The indirect costs (overheads) of secondary processors are, on average, higher than those for mixed and primary processors. This suggests that overheads are consuming the potential for secondary processors to realise higher operating profits. Included in the indirect costs is advertising and marketing, and it was found that many primary and smaller mixed processors spend little or nothing on these activities. Previous interviews revealed that these companies often sell to an established customer base and many are not attempting to expand turnover, whereas larger mixed and secondary processors often have considerable spend on promoting their products.

These results do not suggest that generally a strategy of focussing on secondary processing should be avoided. From the range of turnovers in the table 1.3, it can be seen that some very large secondary processing companies are profitable.

1.2 Process Type and Company Size

Tables 1.4 (p18) to 1.10 (p24) show financial performance data for companies split into process type and further divided into groups of different company size, measured by the number of Full Time Equivalent (FTE) employees in each company.

Mixed processors with 1-25 FTEs show higher average operating profit and pre-tax profit as a percentage of sales than any of the bigger sized mixed processors. Because of the spread of results within each group however, the only difference that was found to be statistically significant was that, on average, mixed processors with 1-25 FTEs (table 1.5) had higher operating profit as a percentage of sales (5.7%) and higher pre-tax profit as a percent of sales (5.1%) than mixed processors with over 100 FTEs (table 1.8), which had average figures of 2.0% for operating profit and 1.3% for pre-tax profit as a percent of sales. Both direct and indirect costs made up a higher percentage of sales for the largest mixed processors.

The financial results of secondary processors with 1-25 FTE employees were compared with results for secondary processors with over 100 FTE employees. In this sample, although the larger secondary companies are more profitable on average than the smaller companies, the difference in means was not found to be statistically significant, so we cannot conclude that there is a true difference in the averages of the two groups overall.

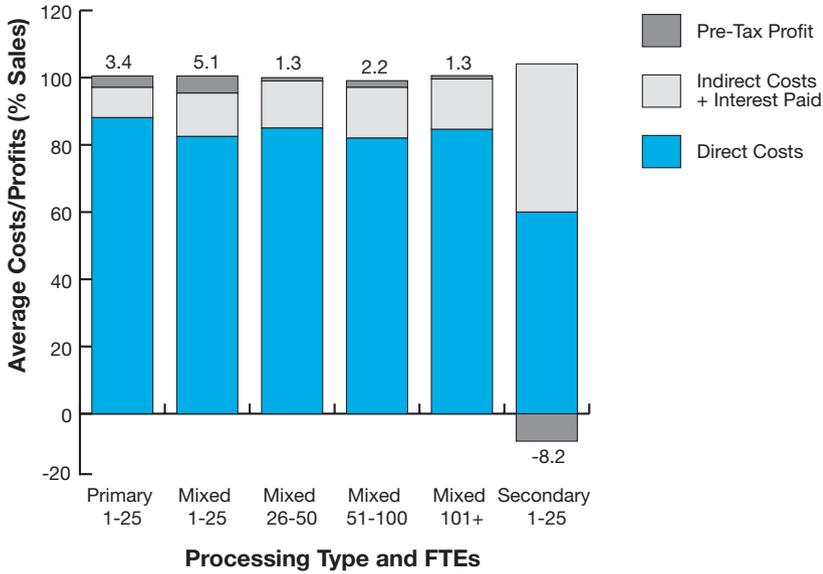


Figure 1.2 Cost Structures by Process Type and Company Size

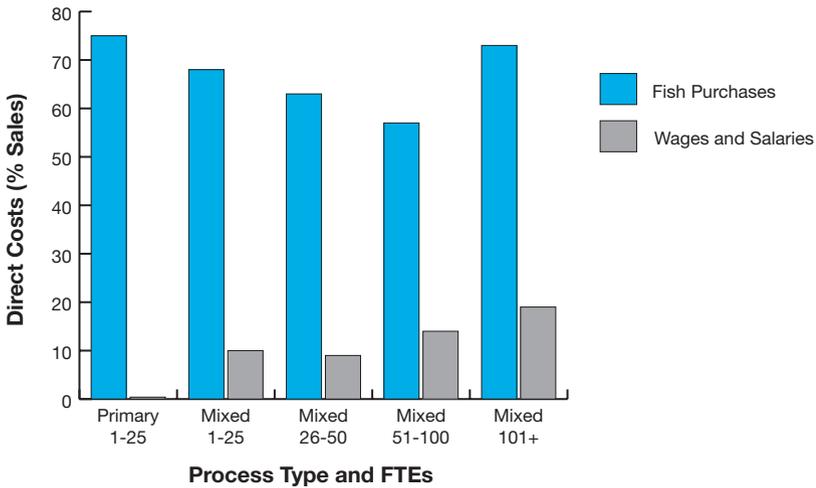


Figure 1.3 Direct Costs by Process Type and Company Size

Graph 1.2 shows cost structures for each of the categories that generated sufficient data. This graph and graph 1.3 (p 12) illustrate that, as expected, primary processors tend to have higher direct costs as a percentage of sales than mixed processors, who in turn have higher direct costs than secondary processors. The more complex processes involved for mixed and secondary processors incur higher indirect costs and overheads for those businesses. The differences in average pre-tax profit as a

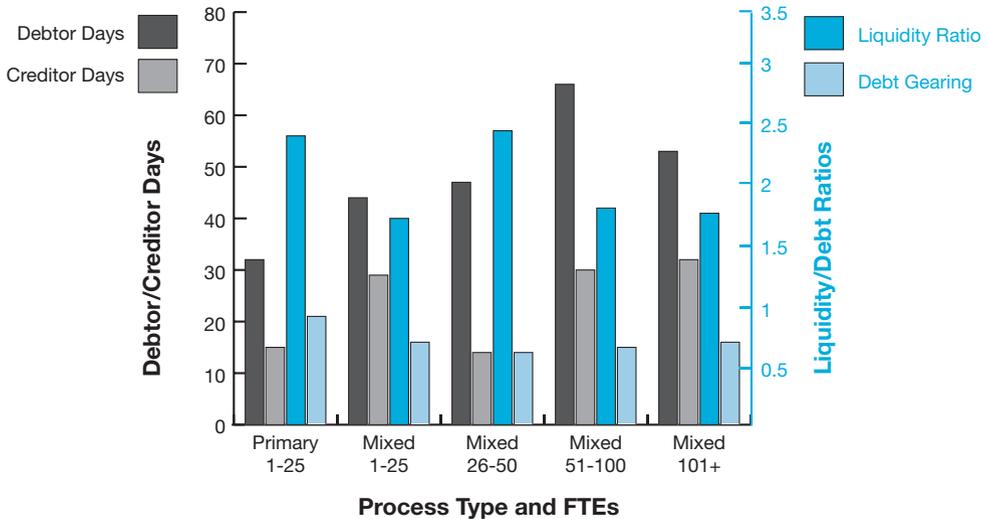


Figure 1.4 Financial Management by Process Type and Company Size

percentage of sales between the different sectors shown were not found to be significantly different when statistical tests were carried out. This was because of the wide range of the figures in each category.

Graphs 1.4 (p13) and 1.5 (p14) show details of financial management for processors categorised by process type and company size. Graph 1.4 shows the liquidity ratio, the gearing ratio, the debtor days and the creditor days - all these terms are defined fully in the Glossary of Terms (p101). The liquidity ratio equates to the current ratio in last year's survey. Analysis of these ratios by process type and company size illustrates that each sector shown has a liquidity ratio similar or better than the overall Current ratio for last year. The level of debt is high, with debt accounting for between 59% and 88% of Total Assets, but with strong liquidity this would be expected to be sustainable. Although the data varies across sectors, the days granted by creditors for payment of debts by processors is usually around half the time taken by processors to collect their debts from customers. On average, processing companies allow their customers more than 30 days to pay for goods and service purchased. The recommended payment terms to small businesses under The Late Payment of Commercial Debts Regulations is 30 days.

Graph 1.5 shows the return on capital employed according to process type and company size. The return on capital employed for mixed processors with 1 – 25 employees was found to be significantly higher than ROCE for mixed processors with more than 25 employees. This is as expected because smaller companies will tend to have less capital invested and therefore returns will be higher in relation to a smaller investment.

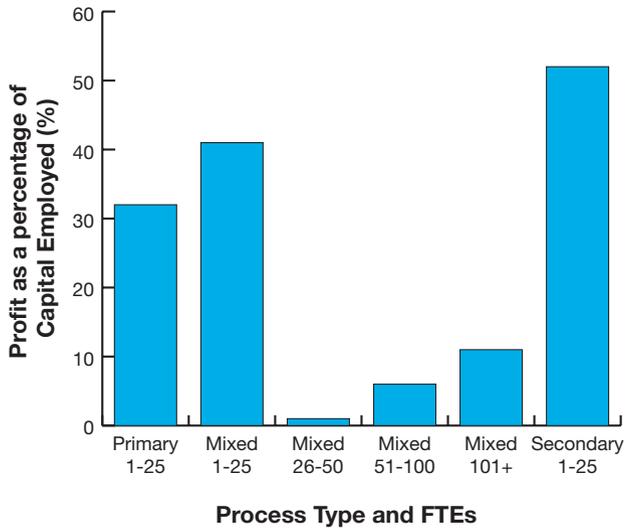


Figure 1.5 Return on Capital Employed by Process Type and Company Size

1.1 Financial Performance of Primary processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,311,275	101,000	4,061,000	23
Total Costs	96.1	23	1,254,671	101,000	3,831,000	23
Fish Purchases	75.8	12	747,354	185,000	1,692,000	12
Haulage & Distribution	4.2	9	50,344	1,000	174,000	9
Wages & Salaries	9.4	21	183,959	4,000	898,000	24
Energy	0.4	12	4,435	1,000	12,000	12
Total Direct Costs²	87.1	23	1,137,009	61,000	3,062,000	23
Gross Profit	13.1	22	235,598	13,000	1,440,000	24
Rent & Rates	0.8	6	8,865	1,000	18,000	6
Repairs & Maintenance	0.5	12	5,094	0	14,000	12
Advertising/ Marketing	0.2	3	1,719	0	3,000	3
Depreciation	1.0	14	10,170	2,000	25,000	14
Bank Charges	0.3	12	2,834	1,000	9,000	12
Total Indirect Costs³	9.0	23	167,442	14,000	1,290,000	25
Operating Profit	4.1	23	64,880	-39,000	269,000	25
Interest Payable	0.6	18	7,583	0	82,000	19
Pre-Tax Profit⁵	3.5	23	54,172	-39,000	268,000	25
Ratios						
Return on Capital Employed			29.0	-20.1	122.9	21
Liquidity Ratio			2.4	0.2	38.8	54
Debt Gearing			0.8	0.1	3.1	33
Debtor Days			34.9	0.5	88.8	21
Creditor Days			14.8	1.1	33.6	17
Fixed Asset Turnover			21.2	1.6	83.3	21

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

2. Total Direct Costs are not just the sum of the four Direct Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

1.2 Financial Performance of Mixed processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	8,102,457	161,000	51,312,000	60
Total Costs	96.5	58	7,541,230	149,000	50,109,000	60
Fish Purchases	66.3	24	2,282,114	87,000	22,323,000	24
Haulage & Distribution	3.2	31	275,917	3,000	2,904,000	34
Wages & Salaries	12.3	49	895,395	8,000	4,262,000	66
Energy	1.0	20	17,773	1,000	78,000	20
Total Direct Costs²	83.3	58	6,645,566	118,000	46,475,000	60
Gross Profit	16.9	58	1,074,240	-70,000	8,584,000	78
Rent & Rates	1.2	15	33,935	2,000	264,000	15
Repairs & Maintenance	1.0	24	26,708	1,000	225,000	24
Advertising/ Marketing	0.2	13	7,392	0	41,000	14
Depreciation	1.9	31	99,503	2,000	578,000	36
Bank Charges	0.5	18	8,766	0	50,000	18
Total Indirect Costs³	13.1	58	868,824	19,000	5,644,000	78
Operating Profit	3.8	60	225,328	-491,000	3,187,000	80
Interest Payable	0.8	53	67,449	0	789,000	72
Pre-Tax Profit⁵	3.0	59	159,446	-606,000	2,848,000	79
Ratios						
Return on Capital Employed			15.9	-106.4	191.4	74
Liquidity Ratio			1.9	0.2	14.6	125
Debt Gearing			0.7	0.1	1.4	87
Debtor Days			51.3	8.9	235.7	59
Creditor Days			28.1	3.2	154.6	50
Fixed Asset Turnover			15.5	2.1	272.7	58

Footnotes

* fewer than 3 cases available.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

1.3 Financial Performance of Secondary processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	25,476,757	113,000	91,989,000	11
Total Costs	100.8	11	21,866,284	147,000	91,073,000	13
Fish Purchases		*				*
Haulage & Distribution	12.6	3	44,337	9,000	90,000	3
Wages & Salaries	12.3	3	1,285,350	58,000	6,214,000	9
Energy		*				*
Total Direct Costs²	71.7	5	5,921,505	61,000	38,972,000	7
Gross Profit	28.3	5	1,205,318	52,000	6,670,000	10
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*	88,766	14,000	228,000	3
Bank Charges		*				*
Total Indirect Costs³	32.0	5	1,125,843	87,000	6,493,000	11
Operating Profit	-0.2	11	377,777	-48,000	7,600,000	18
Interest Payable	2.4	5	137,217	0	742,000	11
Pre-Tax Profit⁵	-1.8	11	211,500	-565,000	2,100,000	18
Ratios						
Return on Capital Employed			33.6	-9.3	98.6	8
Liquidity Ratio			1.1	0.3	3.6	16
Debt Gearing			0.9	0.4	1.7	12
Debtor Days			69.5	56.9	79.3	4
Creditor Days			46.2	7.2	71.6	4
Fixed Asset Turnover			10.2	2.8	13.6	4

Footnotes

* fewer than 3 cases available.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

1.4 Financial Performance of Primary processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,145,173	101,000	3,079,000	21
Total Costs	96.4	21	1,102,473	101,000	2,983,000	21
Fish Purchases	75.8	12	747,354	185,000	1,692,000	12
Haulage & Distribution	4.2	9	50,344	1,000	174,000	9
Wages & Salaries	8.2	19	81,507	4,000	225,000	20
Energy	0.4	12	4,435	1,000	12,000	12
Total Direct Costs²	88.1	21	1,023,089	61,000	2,715,000	21
Gross Profit	12.1	20	124,338	13,000	364,000	20
Rent & Rates	0.8	6	8,865	1,000	18,000	6
Repairs & Maintenance	0.5	12	5,094	0	14,000	12
Advertising/ Marketing	0.2	3	1,719	0	3,000	3
Depreciation	1.0	14	10,170	2,000	25,000	14
Bank Charges	0.3	12	2,834	1,000	9,000	12
Total Indirect Costs³	8.3	21	79,384	14,000	268,000	21
Operating Profit	3.8	21	44,496	-39,000	163,000	21
Interest Payable	0.7	16	8,383	1,000	82,000	16
Pre-Tax Profit⁶	3.4	21	39,405	-39,000	159,000	21
Ratios						
Return on Capital Employed			32.3	-20.1	122.9	17
Liquidity Ratio			2.4	0.2	38.8	48
Debt Gearing			0.9	0.2	3.1	27
Debtor Days			31.6	0.5	88.8	19
Creditor Days			14.7	1.1	33.6	15
Fixed Asset Turnover			18.7	1.6	74.3	19

Footnotes

* fewer than 3 cases available.

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

1.5 Financial Performance of Mixed processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,412,412	161,000	6,672,000	23
Total Costs	94.6	22	1,402,094	149,000	6,776,000	22
Fish Purchases	67.8	16	625,063	87,000	1,382,000	16
Haulage & Distribution	2.9	17	39,734	3,000	189,000	17
Wages & Salaries	9.6	21	125,352	8,000	613,000	21
Energy	1.0	14	7,570	1,000	27,000	14
Total Direct Costs²	82.5	22	1,259,298	118,000	6,468,000	22
Gross Profit	17.4	23	191,860	14,000	653,000	23
Rent & Rates	1.6	9	12,050	2,000	52,000	9
Repairs & Maintenance	0.9	17	5,969	1,000	18,000	17
Advertising/ Marketing	0.2	8	1,932	0	11,000	8
Depreciation	1.4	16	14,056	2,000	41,000	16
Bank Charges	0.6	13	5,974	0	25,000	13
Total Indirect Costs³	12.1	22	142,795	19,000	521,000	22
Operating Profit	5.7	23	57,506	-105,000	243,000	23
Interest Payable	0.9	19	8,474	0	40,000	19
Pre-Tax Profit⁶	5.1	23	52,985	-96,000	217,000	23
Ratios						
Return on Capital Employed			41.4	-29.7	191.4	20
Liquidity Ratio			1.7	0.2	14.6	54
Debt Gearing			0.7	0.2	1.2	32
Debtor Days			43.7	11.5	235.7	22
Creditor Days			29.2	3.2	154.6	18
Fixed Asset Turnover			25.6	2.4	272.7	21

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

2. Total Direct Costs are not just the sum of the four Direct Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 10).

3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

1.6 Financial Performance of Mixed processors with 26-50 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	6,886,232	1,510,000	22,823,000	11
Total Costs	98.7	11	6,795,850	1,531,000	22,390,000	11
Fish Purchases	63.4	3	2,244,124	1,109,000	3,095,000	3
Haulage & Distribution	3.4	4	170,636	19,000	521,000	4
Wages & Salaries	9.1	8	409,020	25,000	768,000	11
Energy	0.4	3	13,669	6,000	27,000	3
Total Direct Costs²	85.1	11	6,142,183	1,386,000	21,889,000	11
Gross Profit	14.9	11	776,431	-70,000	1,650,000	14
Rent & Rates		*				*
Repairs & Maintenance	0.6	3	25,928	6,000	54,000	3
Advertising/ Marketing		*				*
Depreciation	3.4	5	158,087	14,000	359,000	5
Bank Charges		*				*
Total Indirect Costs³	13.6	11	677,847	145,000	1,629,000	14
Operating Profit	1.6	11	115,679	-432,000	432,000	14
Interest Payable	0.6	10	34,505	0	132,000	13
Pre-Tax Profit⁶	1.3	11	103,977	-420,000	386,000	14
Ratios						
Return on Capital Employed			1.4	-85.0	42.6	14
Liquidity Ratio			2.5	0.6	9.4	24
Debt Gearing			0.6	0.1	1.4	18
Debtor Days			46.9	13.5	93.6	11
Creditor Days			14.3	4.6	28.8	7
Fixed Asset Turnover			12.7	2.1	36.4	11

Footnotes

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5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

1.7 Financial Performance of Mixed processors with 51-100 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	8,217,063	2,816,000	24,423,000	13
Total Costs	95.9	12	5,824,569	248,000	21,306,000	14
Fish Purchases	56.9	3	2,376,281	1,834,000	3,143,000	3
Haulage & Distribution	3.5	4	171,474	80,000	427,000	6
Wages & Salaries	14.4	11	842,980	56,000	2,048,000	18
Energy	1.7	3	69,488	61,000	78,000	3
Total Direct Costs²	81.6	12	4,813,997	119,000	15,839,000	14
Gross Profit	19.9	11	1,214,924	54,000	8,584,000	21
Rent & Rates	0.5	3	20,651	13,000	29,000	3
Repairs & Maintenance	1.9	3	79,040	55,000	94,000	3
Advertising/ Marketing		*	19,483	1,000	41,000	3
Depreciation	2.4	5	114,684	34,000	217,000	9
Bank Charges		*				*
Total Indirect Costs³	14.2	12	865,656	103,000	5,466,000	22
Operating Profit	4.3	13	325,090	-264,000	3,187,000	23
Interest Payable	0.8	11	69,275	0	339,000	21
Pre-Tax Profit⁶	2.2	13	222,465	-606,000	2,848,000	23
Ratios						
Return on Capital Employed			5.7	-106.4	67.1	22
Liquidity Ratio			1.8	0.3	7.0	27
Debt Gearing			0.6	0.1	1.0	21
Debtor Days			66.0	22.3	115.6	13
Creditor Days			30.3	4.1	138.5	13
Fixed Asset Turnover			8.1	3.0	21.2	13

Footnotes

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5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

1.8 Financial Performance of Mixed processors with 101+ FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	20,853,199	4,216,000	51,312,000	13
Total Costs	98.2	13	20,409,957	4,088,000	50,109,000	13
Fish Purchases		*				*
Haulage & Distribution	3.5	6	999,189	99,000	2,904,000	7
Wages & Salaries	18.9	9	2,299,428	632,000	4,262,000	16
Energy		*				*
Total Direct Costs²	84.6	13	18,159,185	3,441,000	46,475,000	13
Gross Profit	15.4	13	2,149,727	161,000	6,020,000	20
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation	1.5	5	255,770	58,000	578,000	6
Bank Charges		*				*
Total Indirect Costs³	13.5	13	1,804,623	249,000	5,644,000	20
Operating Profit	2.0	13	380,351	-491,000	1,665,000	20
Interest Payable	1.0	13	146,946	0	789,000	19
Pre-Tax Profit⁶	1.3	12	252,904	-528,000	1,809,000	19
Ratios						
Return on Capital Employed			11.4	-5.8	57.1	18
Liquidity Ratio			1.7	0.4	4.4	19
Debt Gearing			0.7	0.2	1.1	15
Debtor Days			53.3	8.9	107.4	13
Creditor Days			32.0	12.3	58.1	12
Fixed Asset Turnover			8.8	4.9	20.8	13

Footnotes

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1.9 Financial Performance of Secondary processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	663,725	113,000	1,426,000	3
Total Costs	105.4	3	1,383,389	147,000	3,659,000	4
Fish Purchases		*				*
Haulage & Distribution	12.6	3	44,337	9,000	90,000	3
Wages & Salaries		*	516,528	58,000	1,228,000	3
Energy		*				*
Total Direct Costs²	64.3	3	930,496	61,000	2,364,000	4
Gross Profit	35.7	3	403,700	52,000	981,000	4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	41.2	3	510,958	87,000	1,295,000	5
Operating Profit	-5.4	3	149,934	-35,000	395,000	5
Interest Payable	2.9	3	115,315	3,000	330,000	5
Pre-Tax Profit⁶	-8.2	3	95,362	-37,000	337,000	5
Ratios						
Return on Capital Employed			52.7	2.7	98.6	4
Liquidity Ratio			0.8	0.3	1.7	7
Debt Gearing			1.1	0.4	1.7	6
Debtor Days						
Creditor Days						
Fixed Asset Turnover			6.8	2.8	10.8	3

Footnotes

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

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6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

1.10 Financial Performance of Secondary processors with 101+ FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business			38,418,745	9,000,000	91,989,000	6
Total Costs	98.4	6	37,995,810	8,872,000	91,073,000	6
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries		*				*
Energy		*				*
Total Direct Costs²		*				*
Gross Profit		*				*
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³						
Operating Profit	2.7	6	776,293	177,000	2,242,000	7
Interest Payable						
Pre-Tax Profit⁶	1.6	6	390,757	(565,000)	916,000	7
Ratios						
Return on Capital Employed						*
Liquidity Ratio						*
Debt Gearing						*
Debtor Days						*
Creditor Days						*
Fixed Asset Turnover						*

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

7. These figures are drawn from 6 accounts published at Companies House for year ends in 2000. In addition to this there is one company's accounts for December 1999.

1.11 Average Profitability of Mixed and Secondary processors with 51+ FTEs

	1997	1998	1999	2000
Secondary processors 51+ FTEs				
Avg Turnover	85,932,538	34,715,768	30,243,318	36,406,954
Min Turnover	43,025,077	9,005,594	2,893,018	2,099,081
Operating Profit as a % Sales	3.7%	2.3%	1.5%	1.2%
Sample size	3	5	6	6
Mixed processors 51+ FTEs				
Avg Turnover	19,768,558	17,929,734	34,005,629	18,870,602
Min Turnover	4,303,455	3,530,037	5,195,828	6,583,252
Operating Profit as a % Sales	0.8%	2.3%	3.2%	4.9%
Sample size	9	15	17	9

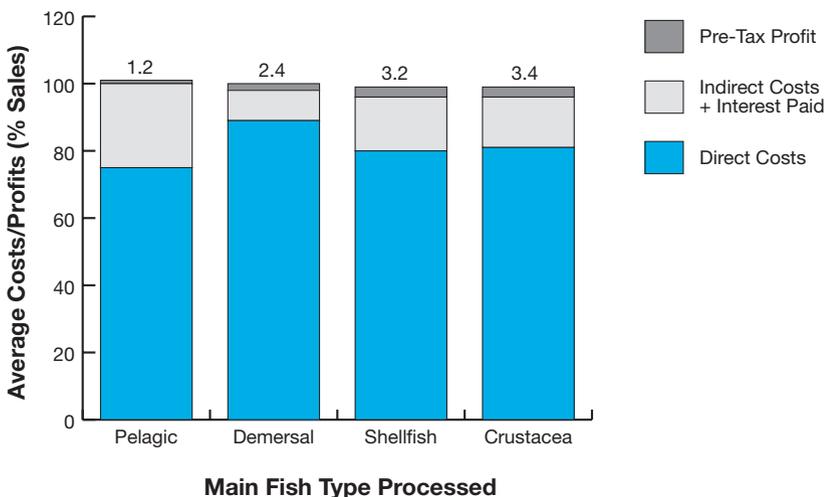
CHAPTER TWO

Fish Type Analysis

2.1 Fish Type

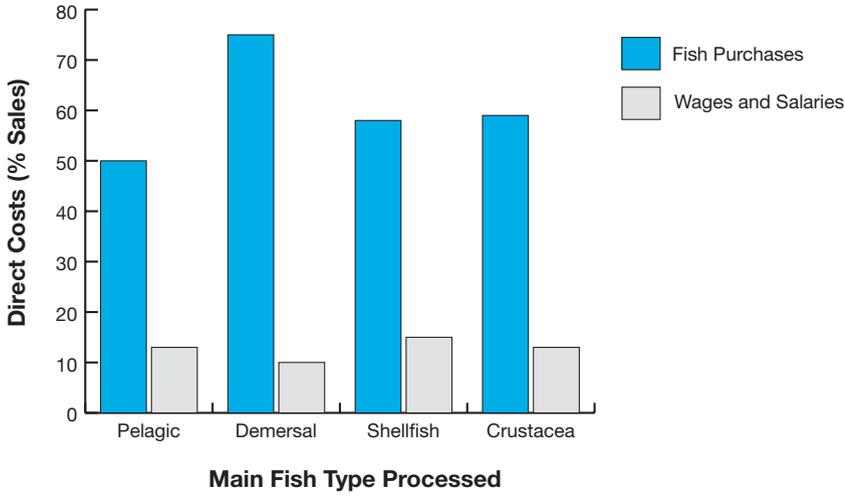
The first part of this section shows figures for processors divided according to the type of fish they process - demersal, pelagic, shellfish (all types) or crustacea. To be included in a category, a processor had to obtain more than 55% of turnover from sales of that fish type. Companies of all sizes are included in tables 2.1 (p35) to 2.4 (p38). The costs breakdown is illustrated by graph 2.1 (p27). Although crustacea appears to be the most profitable fish type, the levels of profitability were not found to be significantly higher than companies processing other fish types when statistical tests were carried out.

In this sample, the demersal processors have, on average, lower indirect costs as a percentage of sales than other sectors. This difference was found to be significant when statistical tests were undertaken. Since the average fish purchases as a percentage of sales was found to be significantly higher for demersal processors, this suggests that demersal processors' profits will be highly variable according to the price and availability of fish supplies. In this sample, the pre-tax profit is on average only 2.4% of turnover, so there would be a concern that any significant reduction in supplies of demersal fish or price rises, could threaten the viability of some demersal processors.



Shellfish includes the returns for Crustacea. Even though Crustacea is displayed separately, it is as a sub-section of shellfish and therefore affects the values of shellfish.

Figure 2.1 Cost Structures by Fish Type



Shellfish includes the returns for Crustacea. Even though Crustacea is displayed separately, it is as a sub-section of shellfish and therefore affects the values of shellfish.

Figure 2.2 Direct Costs by Fish Type

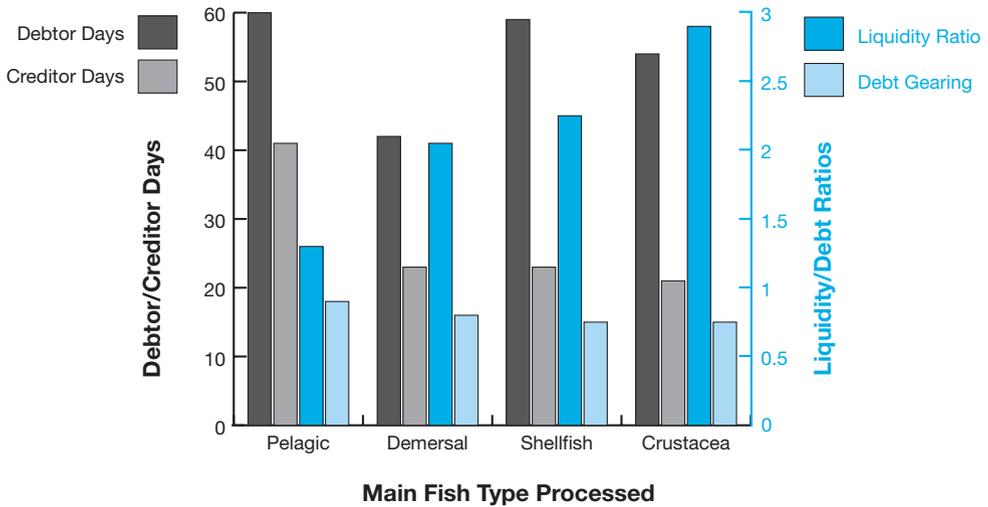


Figure 2.3 Financial Management by Fish Type

Graph 2.3 (p28) displays financial management data for companies grouped by type of fish processed, which shows that processors of all fish types give much more time to their debtors to pay than the government recommended 30 days. Gearing is high across processors of all fish types, and although liquidity is greater for shellfish processors this is not significantly higher than processors of other fish types.

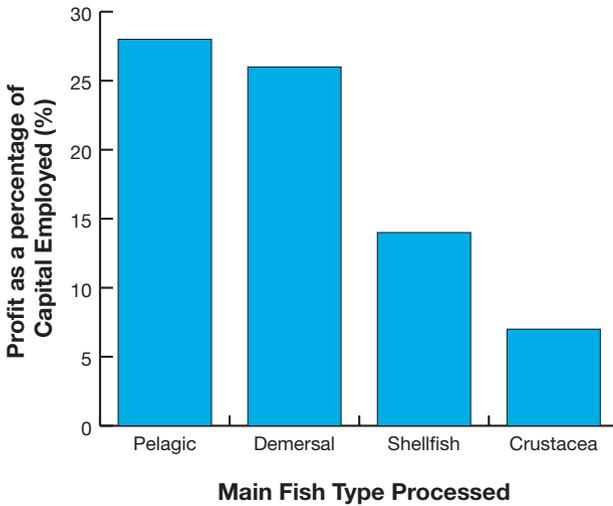


Figure 2.4 Return on Capital Employed by Fish Type

Graph 2.4 (p29) illustrates the Return on Capital Employed, which is higher for pelagic and demersal processors than for shellfish processing. This may reflect the lower capital investment required in demersal and pelagic processing rather than the profitability of those fish types.

2.2 Process Type and Fish Type

Tables 2.5 (p39) to 2.10 (p44) show the financial performance by Process type and Fish type and these are illustrated in graphs 2.5 (p30) to 2.8 (p32). The purpose of this categorisation is to evaluate if there are any differences between processing involving only primary tasks, only secondary tasks or a mix of both, when comparing performance of companies processing individual fish types.

Within the category for mixed processors, although pelagic fish processors nominally seem to make the highest profits in this sample, their profitability was not found to be significantly higher. Primary processors were not found to have any significant difference in their profitability whether processing demersal fish or shellfish.

It might be expected that there would be greater profitability, when secondary activities are carried out alongside primary activities, as more value can be added to the products. For both shellfish and demersal fish processors, there is lower profitability (as a percentage of sales) for mixed processors than for primary processors, suggesting that with more value adding activities there may be associated costs that are not passed on to the customer. Statistical tests did not find that these differences were significant however, so no firm conclusions can be drawn in this case.

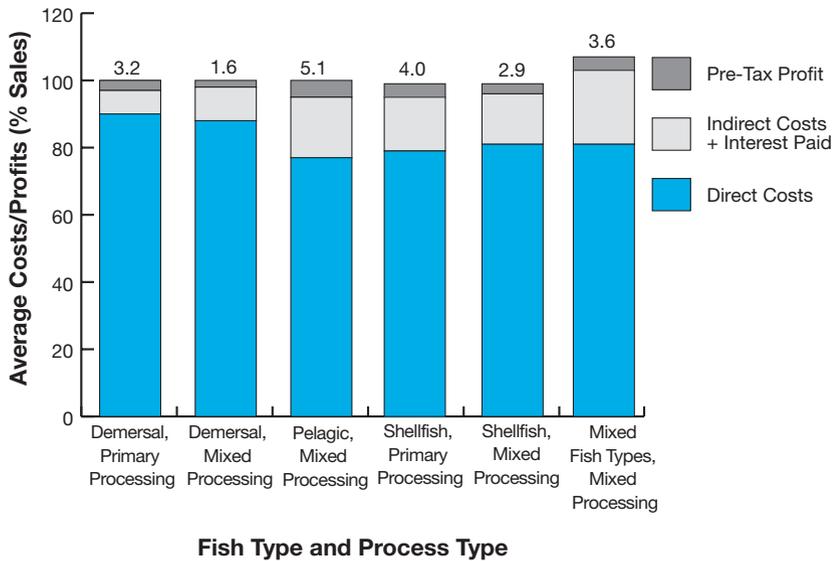


Figure 2.5 Cost Structures by Fish Type and Process Type

When the cost structures of these groups were compared, significant differences were found between the average Total Direct Costs as a percentage of sales of mixed processors of pelagic fish and those of mixed processors of demersal fish. Demersal processors showed significantly higher direct costs than pelagic processors (at 88.3% of sales as opposed to 77.4% sales). This difference is offset by the significantly higher indirect costs as a percentage of sales for pelagic processors compared to demersal processors (16.7% of sales as opposed to 10.1% sales). There is therefore no resultant significant effect on the profitability of each fish type within the mixed processing sector.

Similar results were observed when the direct costs as a percentage of sales for mixed processors of demersal fish were compared to those of mixed processors of shellfish. Demersal processors were found to have significantly higher direct costs than shellfish processors (88.3% compared to 81.4% of sales). Although demersal processors had lower indirect costs as a percentage of sales than shellfish processors, this difference was not found to be significantly different when tested. There was also found to be no statistically significant difference in profitability between mixed demersal and mixed shellfish processors.

2.3 Fish Type and Company Size

Tables 2.11 (p45) to 2.20 (p54) show the performance of companies categorised by the fish type processed and the company size. (Not all groups provided sufficient survey data).

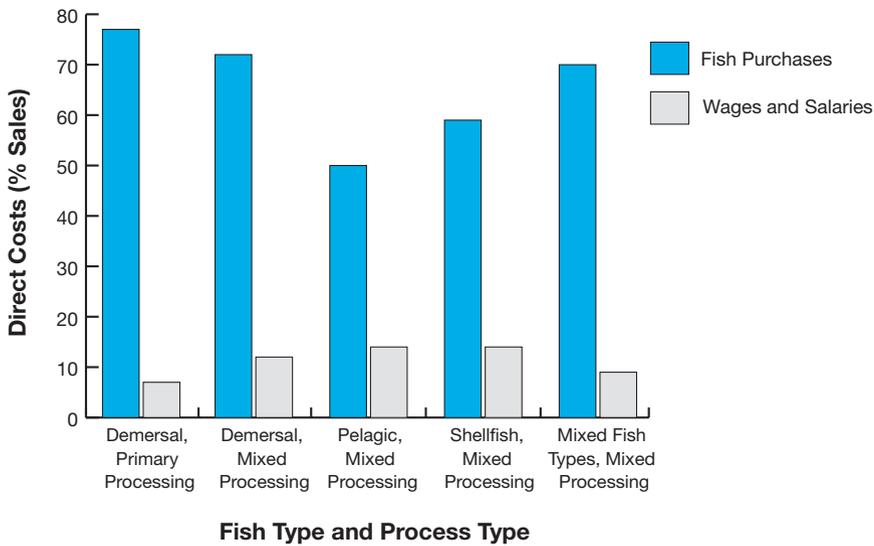


Figure 2.6 Direct Costs by Fish Type and Process Type

For companies processing mixed fish types there is a nominally lower pre-tax profit and slightly higher direct costs for companies with a higher number of employees. Statistical tests show that these differences are not significantly different however, so it would appear from this data that size of company does not necessarily affect the profitability of companies processing a mix of fish types.

Within the group for demersal processors, the majority of survey returns were from processors with 1-25 FTE employees. This makes analysis of the impact of company size more difficult. Larger companies have varied pre-tax profit as a percentage of sales, but with small sample sizes in these groups, these will be unduly influenced by the one or two companies that made a loss for the year.

Analysis of direct costs as a percentage of sales across all demersal groups shows that they vary only slightly with company size - between 87.4% and 90% of sales - and statistical significance tests showed no significant difference between performance of different company sizes. This suggests that the core production costs, as a percentage of sales, vary little with size, and it appears that some of the larger processors have larger overheads as a percentage of sales that may affect their profitability.

Among shellfish processors, smaller processors with 1-25 FTE employees appear to perform better than larger companies, with an average pre-tax profit as a percentage of sales of 5.4%, which appears to be higher than the 1.8% for shellfish processors with 51-100 and 101+ FTE employees. However, due to the spread in results within each group, the performance is not found to be significantly different between these different size categories of shellfish processors.

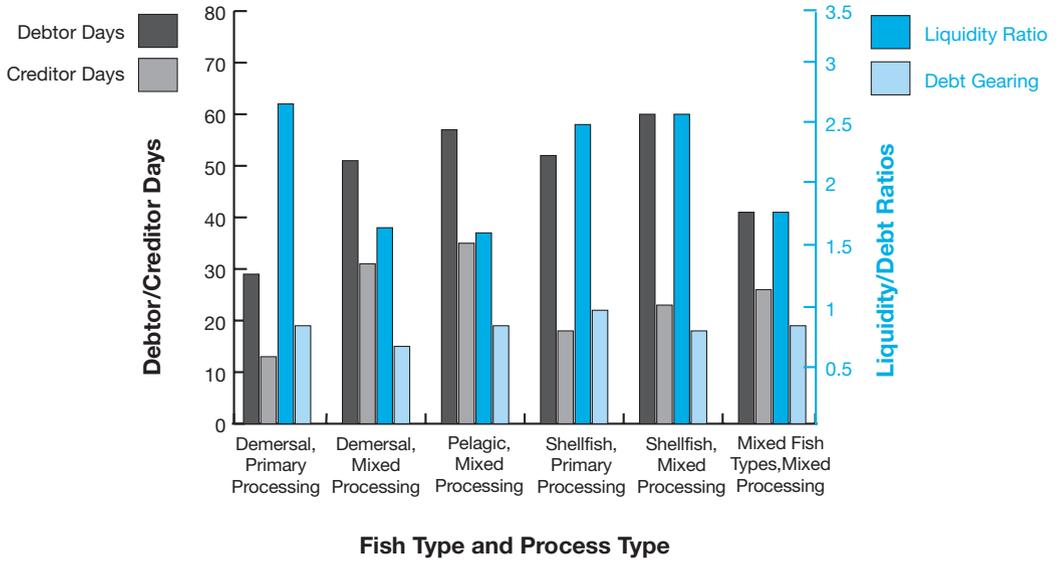


Figure 2.7 Financial Management by Fish Type and Process Type

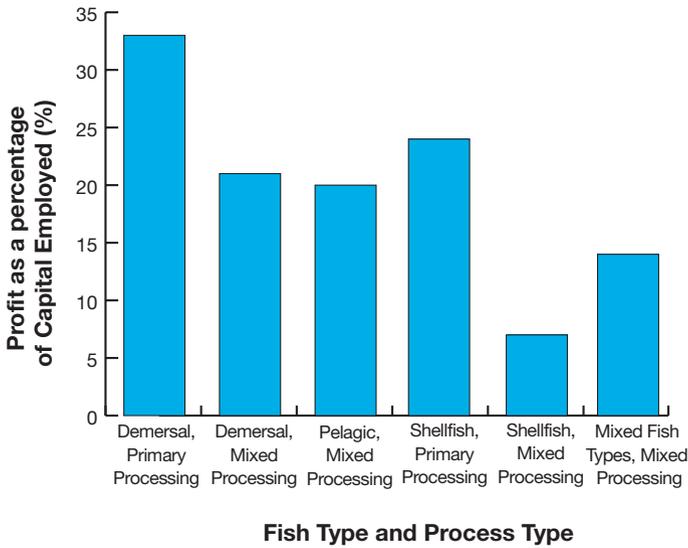


Figure 2.8 Return on Capital Employed by Fish Type and Process Type

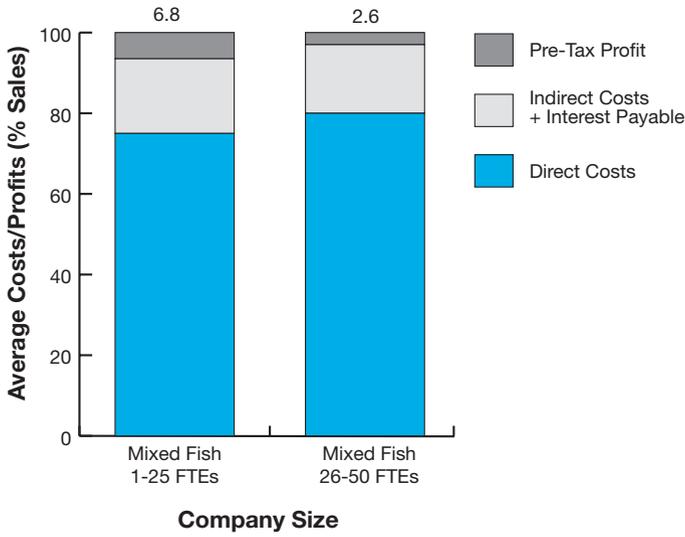
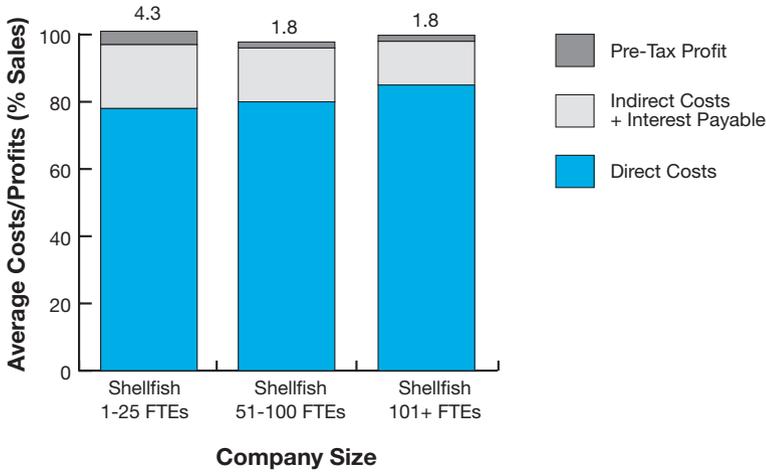


Figure 2.9a Cost Structures – Mixed Fish Type by Company Size



nb. includes figures for crustacea-only processors

Figure 2.9b Cost Structures – Shellfish by Company Size

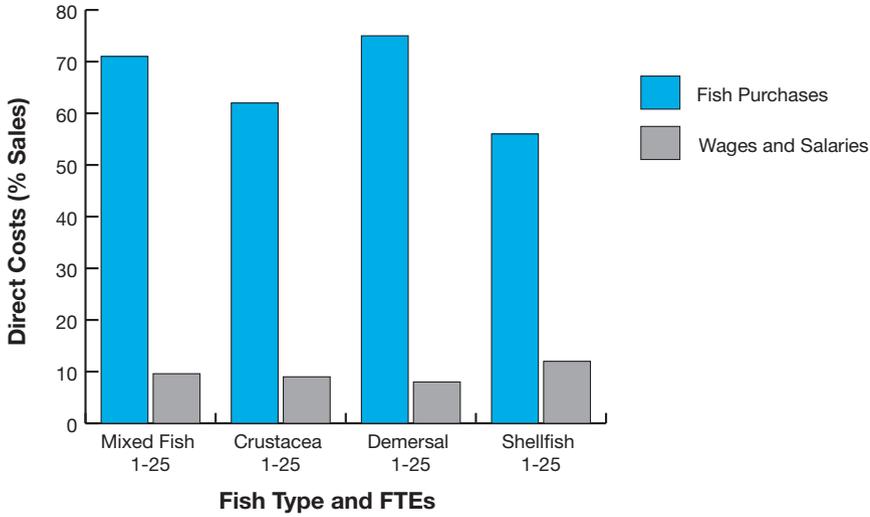


Figure 2.10 Direct Costs by Fish Type and Company Size

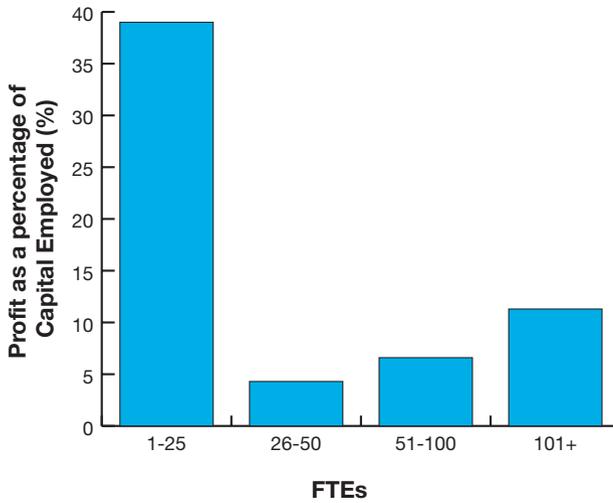


Figure 2.11 Return on Capital Employed by Company Size

2.1 Financial Performance of All Demersal processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	4,073,491	161,000	30,342,000	39
Total Costs	97.6	39	4,037,266	165,000	30,168,000	40
Fish Purchases	74.8	21	2,133,055	114,000	22,323,000	21
Haulage & Distribution	3.4	21	216,871	1,000	2,904,000	22
Wages & Salaries	10.1	35	582,672	4,000	3,412,000	42
Energy	0.6	19	5,048	1,000	12,000	19
Total Direct Costs²	88.9	39	3,563,330	146,000	26,194,000	40
Gross Profit	11.4	38	604,973	-70,000	6,020,000	46
Rent & Rates	1.1	11	35,109	1,000	264,000	11
Repairs & Maintenance	0.6	21	15,659	0	225,000	21
Advertising/ Marketing	0.2	7	7,300	0	41,000	8
Depreciation	1.4	27	73,126	2,000	578,000	29
Bank Charges	0.4	19	6,545	0	50,000	19
Total Indirect Costs³	8.7	39	525,112	14,000	5,644,000	47
Operating Profit	2.6	39	86,056	-491,000	724,000	47
Interest Payable	0.5	35	32,589	0	196,000	43
Pre-Tax Profit⁵	2.4	38	52,928	-528,000	895,000	46
Ratios						
Return on Capital Employed			26.5	-41.2	191.4	39
Liquidity Ratio			2.1	0.2	38.8	86
Debt Gearing			0.7	0.1	1.4	57
Debtor Days			41.8	5.9	235.7	37
Creditor Days			23.1	1.1	154.6	26
Fixed Asset Turnover			22.1	1.6	272.7	36

Footnotes

* fewer than 3 cases available.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.2 Financial Performance of All Pelagic processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	7,666,691	113,000	24,423,000	12
Total Costs	97.6	12	7,245,124	147,000	22,390,000	12
Fish Purchases	50.0	3	1,187,907	87,000	3,095,000	3
Haulage & Distribution	10.5	5	135,598	9,000	521,000	5
Wages & Salaries	13.3	9	1,181,991	8,000	3,631,000	9
Energy	1.3	3	12,166	4,000	27,000	3
Total Direct Costs²	74.9	12	6,013,036	61,000	21,889,000	12
Gross Profit	25.1	12	1,653,654	52,000	8,584,000	12
Rent & Rates	2.0	3	24,229	2,000	62,000	3
Repairs & Maintenance	1.9	3	25,387	4,000	54,000	3
Advertising/ Marketing	0.3	3	9,532	1,000	27,000	3
Depreciation	3.0	3	74,038	9,000	188,000	3
Bank Charges	0.4	3	7,558	1,000	17,000	3
Total Indirect Costs³	22.7	12	1,232,088	31,000	5,466,000	12
Operating Profit	2.4	12	428,607	-63,000	3,187,000	12
Interest Payable	1.8	11	95,510	0	339,000	11
Pre-Tax Profit⁵	1.2	12	386,292	-79,000	2,848,000	12
Ratios						
Return on Capital Employed			27.9	-13.8	98.6	10
Liquidity Ratio			1.4	0.3	9.4	16
Debt Gearing			0.9	0.5	1.7	13
Debtor Days			60.3	19.2	115.6	10
Creditor Days			40.8	12.3	138.5	10
Fixed Asset Turnover			5.7	2.4	10.8	12

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

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3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.3 Financial Performance of All Shellfish processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	6,083,799	101,000	51,312,000	19
Total Costs	94.8	19	5,715,870	101,000	50,109,000	20
Fish Purchases	57.7	7	1,404,570	205,000	3,143,000	7
Haulage & Distribution	4.2	9	262,397	9,000	1,495,000	10
Wages & Salaries	15.1	16	682,604	16,000	2,674,000	27
Energy	1.1	7	33,561	3,000	78,000	7
Total Direct Costs²	80.4	19	5,059,543	61,000	46,475,000	20
Gross Profit	20.2	18	850,475	40,000	4,837,000	29
Rent & Rates	1.1	4	18,864	13,000	29,000	4
Repairs & Maintenance	1.3	7	37,217	1,000	94,000	7
Advertising/ Marketing	0.6	4	7,292	1,000	17,000	4
Depreciation	2.2	9	87,140	4,000	228,000	11
Bank Charges	0.8	5	8,197	1,000	25,000	5
Total Indirect Costs³	14.4	19	615,821	24,000	3,634,000	30
Operating Profit	5.5	19	214,960	-21,000	1,203,000	30
Interest Payable	1.3	14	87,427	0	789,000	23
Pre-Tax Profit⁵	3.2	19	141,950	-606,000	960,000	30
Ratios						
Return on Capital Employed			14.1	-69.1	95.6	29
Liquidity Ratio			2.3	0.3	13.1	41
Debt Gearing			0.7	0.1	3.1	31
Debtor Days			58.6	0.5	107.4	19
Creditor Days			23.2	5.3	50.5	19
Fixed Asset Turnover			10.8	3.4	83.3	19

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

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3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.4 Financial Performance of All Crustacea processors

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	7,957,424	988,000	5,131,200	11
Total Costs	95.3	11	7,713,725	1,010,000	50,109,000	11
Fish Purchases	59.5	5	1,297,000	652,000	2,151,000	5
Haulage & Distribution	4.4	6	323,422	44,000	1,495,000	6
Wages & Salaries	13.7	8	550,576	74,000	1,310,000	8
Energy	1.1	5	30,682	7,000	70,000	5
Total Direct Costs²	81.4	11	6,917,422	839,000	46,475,000	11
Gross Profit	18.6	11	1,040,002	150,000	4,837,000	11
Rent & Rates		*				*
Repairs & Maintenance	1.0	5	31,298	1,000	88,000	5
Advertising/ Marketing		*				*
Depreciation	2.1	6	66,142	4,000	132,000	6
Bank Charges	0.9	3	9,815	1,000	25,000	3
Total Indirect Costs³	13.9	11	796,303	75,000	3,634,000	11
Operating Profit	4.7	11	243,700	-21,000	1,203,000	11
Interest Payable	1.0	7	149,287	0	789,000	7
Pre-Tax Profit⁵	3.4	11	88,770	-606,000	338,000	11
Ratios						
Return on Capital Employed			6.6	-69.1	55.3	11
Liquidity Ratio			2.9	0.4	13.1	14
Debt Gearing			0.7	0.2	1.2	11
Debtor Days			53.9	13.5	107.4	11
Creditor Days			20.5	5.3	46.9	11
Fixed Asset Turnover			6.4	3.4	12.3	11

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.5 Financial Performance of Mixed processors, processing Mixed fish types

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	9,786,609	359,000	43,701,000	15
Total Costs	96.3	13	8,620,658	248,000	42,036,000	14
Fish Purchases	70.3	6	958,959	368,000	2,529,000	6
Haulage & Distribution	1.7	8	210,464	3,000	1,065,000	9
Wages & Salaries	9.1	10	780,058	45,000	4,262,000	16
Energy	0.8	4	11,204	4,000	27,000	4
Total Direct Costs²	81.0	13	7,874,627	119,000	39,260,000	14
Gross Profit	18.8	14	922,776	54,000	4,441,000	21
Rent & Rates	0.9	4	10,344	3,000	21,000	4
Repairs & Maintenance	0.7	6	7,738	4,000	18,000	6
Advertising/ Marketing	0.0	3	342	0	1,000	3
Depreciation	1.1	8	68,948	2,000	276,000	10
Bank Charges	0.2	4	2,163	2,000	3,000	4
Total Indirect Costs³	15.3	13	797,951	57,000	2,776,000	20
Operating Profit	4.1	15	195,392	-264,000	1,665,000	22
Interest Payable	0.6	13	43,526	0	216,000	20
Pre-Tax Profit⁵	3.6	15	167,503	-328,000	1,809,000	22
Ratios						
Return on Capital Employed			14.0	-106.4	110.7	21
Liquidity Ratio			1.8	0.6	8.9	36
Debt Gearing			0.7	0.1	1.4	21
Debtor Days			41.3	8.9	70.8	15
Creditor Days			26.3	3.9	62.1	13
Fixed Asset Turnover			19.9	2.9	99.3	14

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.6 Financial Performance of Mixed processors, processing Pelagic fish

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	9,817,984	185,000	24,423,000	9
Total Costs	94.2	9	9,260,799	149,000	22,390,000	9
Fish Purchases	50.0	3	1,187,907	87,000	3,095,000	3
Haulage & Distribution	5.5	3	184,768	9,000	521,000	3
Wages & Salaries	13.6	8	1,302,288	8,000	3,631,000	8
Energy	1.3	3	12,166	4,000	27,000	3
Total Direct Costs²	77.4	9	7,714,961	118,000	21,889,000	9
Gross Profit	22.6	9	2,103,022	67,000	8,584,000	9
Rent & Rates	2.0	3	24,229	2,000	62,000	3
Repairs & Maintenance	1.9	3	25,387	4,000	54,000	3
Advertising/ Marketing	0.3	3	9,532	1,000	27,000	3
Depreciation						
Bank Charges	0.4	3	7,558	1,000	17,000	3
Total Indirect Costs³	16.7	9	1,545,837	31,000	5,466,000	9
Operating Profit	5.9	9	566,572	-63,000	3,187,000	9
Interest Payable	1.5	8	119,738	0	339,000	8
Pre-Tax Profit⁵	5.1	9	520,452	-63,000	2,848,000	9
Ratios						
Return on Capital Employed			20.1	-13.8	59.1	9
Liquidity Ratio			1.6	0.4	9.4	12
Debt Gearing			0.7	0.5	0.9	9
Debtor Days			56.9	19.2	115.6	8
Creditor Days			35.1	12.3	138.5	8
Fixed Asset Turnover			5.3	2.4	10.0	9

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.7 Financial Performance of Mixed processors, processing Demersal fish

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	6,399,458	161,000	30,342,000	22
Total Costs	98.4	22	6,184,331	165,000	30,168,000	23
Fish Purchases	72.3	10	3,695,662	114,000	22,323,000	10
Haulage & Distribution	3.2	13	320,875	3,000	2,904,000	14
Wages & Salaries	12.5	20	897,887	25,000	3,412,000	26
Energy	0.8	8	6,233	1,000	12,000	8
Total Direct Costs²	88.3	22	5,402,996	146,000	26,194,000	23
Gross Profit	12.2	21	906,693	-70,000	6,020,000	29
Rent & Rates	1.4	5	66,602	3,000	264,000	5
Repairs & Maintenance	0.7	10	27,657	2,000	225,000	10
Advertising/ Marketing	0.1	4	10,648	0	41,000	5
Depreciation	1.8	14	125,186	2,000	578,000	16
Bank Charges	0.5	8	11,478	0	50,000	8
Total Indirect Costs³	10.1	22	791,490	19,000	5,644,000	30
Operating Profit	1.9	22	114,601	-491,000	724,000	30
Interest Payable	0.5	21	47,058	0	196,000	29
Pre-Tax Profit⁵	1.6	21	63,226	-528,000	895,000	29
Ratios						
Return on Capital Employed			21.3	-41.2	191.4	26
Liquidity Ratio			1.7	0.2	14.6	51
Debt Gearing			0.7	0.1	1.2	37
Debtor Days			50.7	11.5	235.7	22
Creditor Days			30.7	3.2	154.6	15
Fixed Asset Turnover			22.8	2.1	272.7	21

Footnotes

* fewer than 3 cases available.

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

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2.8 Financial Performance of Mixed processors, processing Shellfish

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	7,871,314	988,000	51,312,000	14
Total Costs	95.0	14	7,585,557	1,010,000	50,109,000	14
Fish Purchases	59.4	5	1,699,327	652,000	3,143,000	5
Haulage & Distribution	3.8	7	305,057	44,000	1,495,000	8
Wages & Salaries	14.0	11	803,238	48,000	2,674,000	16
Energy	1.3	5	44,857	8,000	78,000	5
Total Direct Costs²	81.4	14	6,770,400	839,000	46,475,000	14
Gross Profit	18.6	14	101,006	150,000	4,837,000	19
Rent & Rates	0.5	3	20,651	13,000	29,000	3
Repairs & Maintenance	1.2	5	48,365	1,000	94,000	5
Advertising/ Marketing	0.2	3	6,877	1,000	17,000	3
Depreciation	2.3	7	86,556	4,000	182,000	8
Bank Charges	0.9	3	11,547	3,000	25,000	3
Total Indirect Costs³	13.6	14	744,841	114,000	3,634,000	19
Operating Profit	5.2	14	273,181	-21,000	1,203,000	19
Interest Payable	1.3	11	110,882	0	789,000	15
Pre-Tax Profit⁵	2.9	14	125,975	-606,000	338,000	19
Ratios						
Return on Capital Employed			7.2	-69.1	45.2	19
Liquidity Ratio			2.6	0.3	13.1	25
Debt Gearing			0.6	0.2	1.1	19
Debtor Days			59.9	13.5	107.4	14
Creditor Days			22.8	5.3	48.8	14
Fixed Asset Turnover			6.4	3.4	12.3	14

Footnotes

* fewer than 3 cases available.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.9 Financial Performance of Primary processors, processing Demersal fish

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,063,416	248,000	2,022,000	17
Total Costs	96.6	17	1,029,019	242,000	1,973,000	17
Fish Purchases	77.1	11	712,503	185,000	1,692,000	11
Haulage & Distribution	3.6	8	34,864	1,000	70,000	8
Wages & Salaries	6.9	15	70,447	4,000	210,000	16
Energy	0.4	11	4,186	1,000	12,000	11
Total Direct Costs²	89.6	17	954,816	221,000	1,837,000	17
Gross Profit	10.4	17	108,600	13,000	269,000	17
Rent & Rates	0.8	6	8,865	1,000	18,000	6
Repairs & Maintenance	0.5	11	4,752	0	14,000	11
Advertising/ Marketing	0.2	3	1,719	0	3,000	3
Depreciation	1.0	13	9,051	2,000	24,000	13
Bank Charges	0.4	11	2,958	1,000	9,000	11
Total Indirect Costs³	7.0	17	74,203	14,000	225,000	17
Operating Profit	3.4	17	35,205	-39,000	135,000	17
Interest Payable	0.4	14	3,568	1,000	8,000	14
Pre-Tax Profit⁵	3.3	17	34,070	-39,000	134,000	17
Ratios						
Return on Capital Employed			33.5	-20.1	122.9	14
Liquidity Ratio			2.8	0.2	38.8	33
Debt Gearing			0.8	0.3	1.4	19
Debtor Days			28.7	5.9	56.1	15
Creditor Days			12.8	1.1	28.8	11
Fixed Asset Turnover			21.1	1.6	74.3	15

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

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3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.10 Financial Performance of Primary processors, processing Shellfish

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,235,492	101,000	2,050,000	4
Total Costs	94.2	4	1,137,680	101,000	1,875,000	4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	18.8	4	334,289	16,000	725,000	5
Energy		*				*
Total Direct Costs²	79.5	4	1,035,540	61,000	1,604,000	4
Gross Profit	24.7	3	251,456	40,000	446,000	4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	14.7	4	119,676	24,000	270,000	5
Operating Profit	6.4	4	101,688	0	175,000	5
Interest Payable		*				*
Pre-Tax Profit⁵	4.0	4	70,134	-2,000	159,000	5
Ratios						
Return on Capital Employed			24.1	8.3	55.3	4
Liquidity Ratio			2.5	0.3	7.6	8
Debt Gearing			0.9	0.1	3.1	7
Debtor Days			52.1	0.5	88.8	4
Creditor Days			17.6	7.1	33.6	4
Fixed Asset Turnover			26.9	5.1	83.3	4

Footnotes

* fewer than 3 cases available.

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3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

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5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

2.11 Financial Performance of Mixed Fish type processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,541,384	359,000	3,079,000	9
Total Costs	95.3	8	1,828,193	374,000	3,659,000	9
Fish Purchases	70.8	5	645,018	368,000	1,140,000	5
Haulage & Distribution	1.7	5	19,408	3,000	50,000	5
Wages & Salaries	8.3	8	225,226	45,000	1,228,000	9
Energy	1.0	3	12,938	4,000	27,000	3
Total Direct Costs²	79.0	8	1,489,791	173,000	2,715,000	9
Gross Profit	20.5	9	273,385	71,000	653,000	9
Rent & Rates	1.1	3	9,498	3,000	21,000	3
Repairs & Maintenance	0.7	5	5,604	4,000	9,000	5
Advertising/ Marketing		*				*
Depreciation	1.3	5	14,072	2,000	39,000	5
Bank Charges	0.3	3	1,996	2,000	3,000	3
Total Indirect Costs³	16.3	8	338,401	57,000	1,295,000	9
Operating Profit	5.2	9	108,581	-15,000	395,000	10
Interest Payable	1.2	8	53,996	0	330,000	9
Pre-Tax Profit⁶	4.3	9	65,863	-12,000	145,000	10
Ratios						
Return on Capital Employed			33.1	-8.8	110.7	9
Liquidity Ratio			1.5	0.4	3.9	30
Debt Gearing			0.8	0.2	1.5	16
Debtor Days			39.3	12.4	70.8	9
Creditor Days			21.0	3.9	62.1	8
Fixed Asset Turnover			21.2	2.9	99.3	8

Footnotes

* fewer than 3 cases available.

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3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

2.12 Financial Performance of Mixed Fish type processors with 26-50 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	6,516,031	3,728,000	15,156,000	5
Total Costs	97.4	5	6,433,254	3,617,000	15,318,000	5
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	11.0	3	592,474	58,000	898,000	6
Energy		*				*
Total Direct Costs²	80.7	5	5,587,921	2,986,000	14,733,000	5
Gross Profit	19.3	5	1,013,606	423,000	1,650,000	8
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	16.7	5	938,335	390,000	1,629,000	8
Operating Profit	2.9	5	85,720	-161,000	269,000	8
Interest Payable	0.2	4	13,823	1,000	45,000	7
Pre-Tax Profit⁶	2.6	5	80,308	-161,000	268,000	8
Ratios						
Return on Capital Employed			2.8	-85.0	42.6	8
Liquidity Ratio			2.3	0.6	8.9	12
Debt Gearing			0.6	0.1	1.4	8
Debtor Days			47.9	27.6	64.5	5
Creditor Days			20.1	16.4	28.8	4
Fixed Asset Turnover			16.1	6.1	36.4	5

Footnotes

* fewer than 3 cases available.

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5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

2.13 Financial Performance of Demersal processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,264,578	161,000	6,672,000	27
Total Costs	96.3	27	1,232,674	165,000	6,776,000	27
Fish Purchases	75.1	18	709,823	114,000	1,692,000	18
Haulage & Distribution	3.2	16	45,221	1,000	189,000	16
Wages & Salaries	8.5	24	107,160	4,000	613,000	25
Energy	0.6	18	4,888	1,000	12,000	18
Total Direct Costs²	89.1	27	1,149,764	146,000	6,468,000	27
Gross Profit	10.9	27	114,815	13,000	269,000	27
Rent & Rates	1.1	10	12,258	1,000	52,000	10
Repairs & Maintenance	0.6	19	5,178	0	14,000	19
Advertising/ Marketing	0.2	6	2,706	0	11,000	6
Depreciation	1.0	21	10,670	2,000	41,000	21
Bank Charges	0.4	18	4,111	0	21,000	18
Total Indirect Costs³	7.2	27	82,910	14,000	308,000	27
Operating Profit	3.7	27	32,413	-105,000	135,000	27
Interest Payable	0.4	23	3,603	0	14,000	23
Pre-Tax Profit⁶	3.6	27	31,480	-96,000	134,000	27
Ratios						
Return on Capital Employed			40.3	-29.7	191.4	22
Liquidity Ratio			2.3	0.2	38.8	59
Debt Gearing			0.8	0.3	1.4	34
Debtor Days			36.2	5.9	235.7	25
Creditor Days			23.6	1.1	154.6	18
Fixed Asset Turnover			28.1	1.6	272.7	24

Footnotes

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2.14 Financial Performance of Demersal processors with 26-50 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	3,532,180	1,510,000	6,500,000	4
Total Costs	101.2	4	3,550,557	1,531,000	6,323,000	4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	9.3	4	272,403	25,000	561,000	4
Energy		*				*
Total Direct Costs²	87.4	4	3,097,850	1,386,000	5,766,000	4
Gross Profit	12.6	4	434,330	-70,000	951,000	4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	13.8	4	452,707	145,000	747,000	4
Operating Profit	-0.5	4	25,955	-432,000	353,000	4
Interest Payable	0.6	4	25,914	0	67,000	4
Pre-Tax Profit⁶	-0.6	4	29,030	-420,000	386,000	4
Ratios						
Return on Capital Employed			-7.4	-41.2	13.8	4
Liquidity Ratio			2.1	0.2	5.5	9
Debt Gearing			0.6	0.3	0.9	8
Debtor Days			55.7	29.4	93.6	4
Creditor Days						*
Fixed Asset Turnover			9.9	2.1	30.6	4

Footnotes

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2.15 Financial Performance of Demersal processors with 51-100 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	7,046,856	4,268,000	11,799,000	3
Total Costs	98.7	3	5,736,462	2,067,000	11,695,000	4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	16.9	3	830,153	56,000	1,274,000	7
Energy		*				*
Total Direct Costs²	90.0	3	4,920,946	1,236,000	9,719,000	4
Gross Profit		*	1,062,356	249,000	2,080,000	8
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	8.7	3	774,444	103,000	1,976,000	9
Operating Profit	2.1	3	187,765	-95,000	561,000	9
Interest Payable	0.8	3	62,894	0	196,000	9
Pre-Tax Profit⁶	1.3	3	150,027	-315,000	895,000	9
Ratios						
Return on Capital Employed			17.4	-3.8	67.1	8
Liquidity Ratio			1.5	0.3	7.0	10
Debt Gearing			0.6	0.1	0.9	8
Debtor Days			59.8	43.8	69.8	3
Creditor Days			24.8	4.1	48.3	3
Fixed Asset Turnover			12.4	5.4	21.2	3

Footnotes

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2.16 Financial Performance of Demersal processors with 101+ FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	17,890,648	6,514,000	30,342,000	5
Total Costs	101.0	5	17,860,532	7,004,000	30,168,000	5
Fish Purchases		*				*
Haulage & Distribution	4.7	3	1,253,978	206,000	2,904,000	3
Wages & Salaries	15.3	4	2,482,089	980,000	3,412,000	6
Energy		*				*
Total Direct Costs²	87.8	5	15,476,398	6,171,000	26,194,000	5
Gross Profit	12.2	5	2,114,876	161,000	6,020,000	7
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation	1.7	4	300,003	74,000	578,000	4
Bank Charges		*				*
Total Indirect Costs³	13.2	5	1,998,107	296,000	5,644,000	7
Operating Profit	-0.6	5	195,380	-491,000	724,000	7
Interest Payable	0.6	5	94,580	39,000	188,000	7
Pre-Tax Profit⁶	-2.0	4	16,074	-528,000	425,000	6
Ratios						
Return on Capital Employed			7.7	-5.8	31.7	5
Liquidity Ratio			1.3	0.4	2.5	8
Debt Gearing			0.7	0.3	1.1	7
Debtor Days			47.5	16.3	64.9	5
Creditor Days			24.1	22.2	25.6	4
Fixed Asset Turnover			9.0	5.1	14.8	5

Footnotes

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2.17 Financial Performance of Pelagic processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	608,469	113,000	1,426,000	4
Total Costs	99.2	4	566,294	147,000	1,299,000	4
Fish Purchases		*				*
Haulage & Distribution	11.0	4	39,249	9,000	90,000	4
Wages & Salaries		*				*
Energy		*				*
Total Direct Costs²	66.1	4	427,766	61,000	978,000	4
Gross Profit	33.9	4	180,703	52,000	449,000	4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	33.1	4	138,527	31,000	322,000	4
Operating Profit	0.8	4	42,176	-35,000	127,000	4
Interest Payable	3.1	4	22,448	3,000	59,000	4
Pre-Tax Profit⁶	-2.4	4	19,593	-37,000	68,000	4
Ratios						
Return on Capital Employed			54.9	6.8	98.6	3
Liquidity Ratio			0.7	0.3	0.9	7
Debt Gearing			1.0	0.6	1.7	5
Debtor Days						*
Creditor Days						*
Fixed Asset Turnover			4.6	2.4	10.8	4

Footnotes

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2.18 Financial Performance of Shellfish processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,153,620	101,000	2,552,000	7
Total Costs	94.6	7	1,075,778	101,000	2,379,000	7
Fish Purchases	58.2	4	676,000	205,000	1,131,000	4
Haulage & Distribution	5.2	4	71,006	9,000	174,000	4
Wages & Salaries	11.6	7	123,036	16,000	263,000	8
Energy	0.7	4	6,615	3,000	8,000	4
Total Direct Costs²	79.4	7	964,087	61,000	2,129,000	7
Gross Profit	22.6	6	318,723	40,000	981,000	7
Rent & Rates		*				*
Repairs & Maintenance	0.8	4	5,851	1,000	10,000	4
Advertising/ Marketing		*				*
Depreciation	2.1	4	19,327	4,000	35,000	4
Bank Charges	1.2	3	10,322	1,000	25,000	3
Total Indirect Costs³	15.2	7	190,632	24,000	743,000	8
Operating Profit	6.1	7	109,636	-21,000	243,000	8
Interest Payable	1.7	3	53,272	2,000	175,000	4
Pre-Tax Profit⁶	5.4	7	117,002	-21,000	337,000	8
Ratios						
Return on Capital Employed			34.2	-19.5	95.6	7
Liquidity Ratio			2.5	0.3	13.1	14
Debt Gearing			0.9	0.2	3.1	11
Debtor Days			49.9	0.5	88.8	7
Creditor Days			27.0	6.5	50.5	7
Fixed Asset Turnover			7.3	3.4	10.6	7

Footnotes

* fewer than 3 cases available.

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2.19 Financial Performance of Shellfish processors with 51-100 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	5,110,841	3,035,000	7,142,000	7
Total Costs	94.9	7	4,878,684	2,745,000	7,040,000	7
Fish Purchases	56.9	3	2,377,000	1,834,000	3,143,000	3
Haulage & Distribution	3.5	4	186,539	80,000	427,000	4
Wages & Salaries	16.2	6	717,840	98,000	1,310,000	8
Energy	1.7	3	69,488	61,000	78,000	3
Total Direct Costs²	79.7	7	4,186,491	1,597,000	6,439,000	7
Gross Profit	20.3	7	846,428	490,000	1,438,000	9
Rent & Rates	0.5	3	20,651	13,000	29,000	3
Repairs & Maintenance	1.9	3	79,040	55,000	94,000	3
Advertising/ Marketing		*				*
Depreciation	2.4	5	119,059	81,000	182,000	5
Bank Charges		*				*
Total Indirect Costs³	15.2	7	614,277	310,000	1,148,000	9
Operating Profit	5.1	7	234,902	100,000	576,000	9
Interest Payable	0.8	6	40,625	0	89,000	8
Pre-Tax Profit⁶	1.8	7	70,129	-606,000	338,000	9
Ratios						
Return on Capital Employed			4.4	-69.1	27.1	9
Liquidity Ratio			2.3	0.7	5.1	11
Debt Gearing			0.6	0.2	0.9	8
Debtor Days			65.4	22.3	99.6	7
Creditor Days			18.1	9.4	37.7	7
Fixed Asset Turnover			6.6	3.7	12.3	7

Footnotes

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2.20 Financial Performance of Shellfish processors with 101+ FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	21,910,502	4,216,000	51,312,000	3
Total Costs	96.6	3	16,763,161	3,141,000	50,109,000	4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries		*	1,573,415	632,000	2,674,000	5
Energy		*				*
Total Direct Costs²	85.1	3	15,081,968	1,944,000	46,475,000	4
Gross Profit	14.9	3	1,606,805	429,000	4,837,000	7
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs³	11.5	3	1,263,650	249,000	3,634,000	7
Operating Profit	3.5	3	349,782	64,000	1,203,000	7
Interest Payable	1.9	3	223,584	2,000	789,000	6
Pre-Tax Profit⁶	1.8	3	280,040	45,000	960,000	7
Ratios						
Return on Capital Employed			8.7	0.9	32.1	7
Liquidity Ratio			2.8	1.4	4.4	7
Debt Gearing			0.5	0.2	0.7	4
Debtor Days			74.6	43.7	107.4	3
Creditor Days			35.5	12.8	48.8	3
Fixed Asset Turnover			5.7	5.3	6.5	3

Footnotes

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2.21 Financial Performance of Crustacea processors with 1-25 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	1,340,098	988,000	1,841,000	3
Total Costs	93.5	3	1,242,050	1,010,000	1,679,000	3
Fish Purchases	62.5	3	833,000	652,000	1,131,000	3
Haulage & Distribution	6.3	3	91,566	44,000	174,000	3
Wages & Salaries	8.8	3	124,594	74,000	207,000	3
Energy	0.6	3	7,667	7,000	8,000	3
Total Direct Costs²	83.2	3	1,122,107	839,000	1,604,000	3
Gross Profit	16.8	3	217,991	150,000	267,000	3
Rent & Rates		*				*
Repairs & Maintenance	0.3	3	4,520	1,000	9,000	3
Advertising/ Marketing		*				*
Depreciation	1.7	3	21,243	4,000	35,000	3
Bank Charges		*				*
Total Indirect Costs³	10.3	3	119,944	75,000	171,000	3
Operating Profit	6.5	3	98,048	-21,000	163,000	3
Interest Payable						
Pre-Tax Profit⁶	6.4	3	96,966	-21,000	159,000	3
Ratios						
Return on Capital Employed			22.4	-19.5	55.3	3
Liquidity Ratio			5.1	0.4	13.1	3
Debt Gearing						*
Debtor Days			48.1	40.5	53.4	3
Creditor Days			20.2	6.5	46.9	3
Fixed Asset Turnover			7.6	3.4	10.6	3

Footnotes

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2.22 Financial Performance of Crustacea processors with 51-100 FTEs

	Average as % Sales	No of Cases	Average	£ Min ¹	Max ¹	No of Cases
Turnover Per Business	-	-	4,804,763	3,035,000	7,142,000	5
Total Costs	95.8	5	4,643,843	2,745,000	7,040,000	5
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	17.4	4	875,604	628,000	1,310,000	4
Energy		*				*
Total Direct Costs²	78.5	5	3,920,847	1,597,000	6,439,000	5
Gross Profit	21.5	5	883,916	496,000	1,438,000	5
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation	2.5	3	111,041	100,000	132,000	3
Bank Charges		*				*
Total Indirect Costs³	17.3	5	722,996	373,000	1,148,000	5
Operating Profit	4.2	5	160,920	100,000	290,000	5
Interest Payable	0.8	4	38,410	0	89,000	4
Pre-Tax Profit⁶	2.0	5	8,140	-606,000	300,000	5
Ratios						
Return on Capital Employed			-4.1	-69.1	25.2	5
Liquidity Ratio			2.6	0.7	5.1	7
Debt Gearing			0.6	0.2	0.9	6
Debtor Days			56.8	22.3	89.0	5
Creditor Days			20.5	9.9	37.7	5
Fixed Asset Turnover			6.1	3.7	12.3	5

Footnotes

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3. Total Indirect Costs are not just the sum of the five Indirect Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

5. FTEs = Full Time Equivalent Employees - for definition see Glossary of Terms page 103.

6. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales, and not the difference between the average turnover per business and the average total costs.

CHAPTER THREE

Diversification

3.1 Proportion of Turnover from Fish Processing

Many fish processors have diversified into other areas of business, or other businesses have diversified into fish processing. So, for some companies in this sample, income may not be wholly derived from fish processing, but may also derive from processing other foods, trading of fish (without processing it), freezing / cold storage for other companies, transportation, retail sales or other activities.

Companies were identified as sea fish processors if more than 50 percent of their turnover was attributed to processing sea fish. Tables 3.1 (p59) to 3.3 (p61) display the financial performance of processors with different dependencies on fish processing. Analysis of the cost structures shows that the profitability varies greatly, but because the sample sizes for those with between 50% and 69% of turnover from fish processing and those between 70% and 89% of turnover from fish processing were small, there is not enough evidence to suggest that profitability (measured by pre-tax profit as a percentage of sales) is affected by the extent of diversification into activities other than fish processing.

Levels of direct costs and indirect costs also do not significantly vary according to the level of diversification. When individual costs such as wages and salaries, repairs and maintenance, advertising/marketing and depreciation are examined, these also do not vary significantly according to the extent of diversification of business activities.

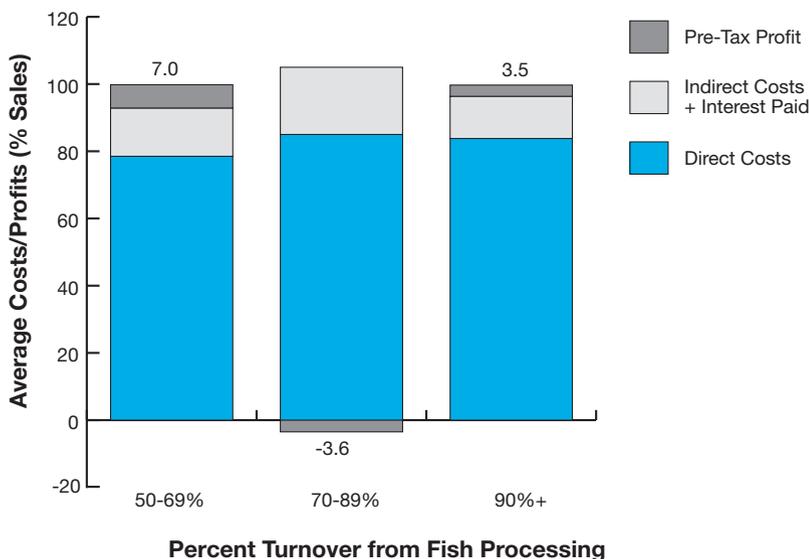


Figure 3.1 Cost Structures by Proportion of Turnover from Fish Processing

3.2 Proportion of Turnover from Fish Processing and Company Size

Table 3.4 (p62) and table 3.5 (p63) examine smaller processors (with 1-25 FTE employees) to assess if the extent of diversification affects their performance. There is little difference between the direct costs as a percentage of sales (82.4% against 85.4%). Companies with 90%+ turnover from fish processing have on average indirect costs of 9.7% of sales whereas those with less than 90% of turnover coming from fish processing have, on average, indirect costs equal to 23.6% of total sales, which may reflect that there is greater overhead involved in managing several processes in one business. However, as the indirect costs are not significantly different, results should only be interpreted as the average for this sample.

The results presented in tables 3.6 to 3.11 (p64 - p69) do not reveal any statistically significant differences in profitability between companies of differing degrees of diversification.

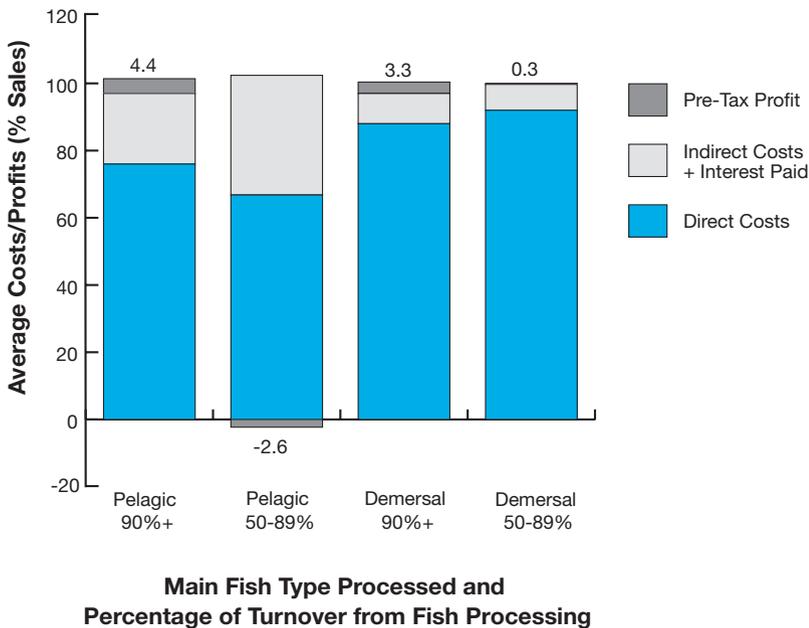


Figure 3.2 Cost Structure by Fish Type and Proportion of Turnover from Fish Processing

3.1 Processors with 50-69% of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	3,696,462			4
Total Costs	91.8	4	3,525,108			4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	12.8	4	605,823			4
Energy		*				*
Total Direct Costs¹	78.6	4	2,955,715			4
Gross Profit	21.4	4	740,747			4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	13.2	4	569,393			4
Operating Profit	8.2	4	171,354			4
Interest Payable	1.1	4	28,656			4
Pre-Tax Profit⁴	7.0	4	146,353			4
Ratios						
Return on Capital Employed			46.8	27.9	67.1	4
Liquidity Ratio			0.9	0.4	1.5	5
Debt Gearing			0.7	0.5	0.9	3
Debtor Days			38.7	11.5	80.3	4
Creditor Days			14.0	3.2	34.2	4
Fixed Asset Turnover			8.7	2.5	21.2	4

Footnotes

* fewer than 3 cases available.

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3.2 Processors with 70% -89% of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	3,635,606			8
Total Costs	104.3	7	4,061,339			7
Fish Purchases	75.7	6	736,000			6
Haulage & Distribution	6.9	6	127,046			6
Wages & Salaries	12.2	6	602,472			8
Energy	0.6	5	6,274			5
Total Direct Costs¹	85.4	7	3,814,495			7
Gross Profit	14.8	8	353,912			10
Rent & Rates	0.8	4	5,130			4
Repairs & Maintenance	1.2	5	8,682			5
Advertising/ Marketing	0.2	4	9,305			5
Depreciation	1.1	5	104,539			5
Bank Charges	0.5	5	3,567			5
Total Indirect Costs²	18.9	7	334,955			9
Operating Profit	-2.7	8	49,360			10
Interest Payable	1.0	7	31,060			9
Pre-Tax Profit⁴	-3.6	8	22,092			10
Ratios						
Return on Capital Employed			8.7	-41.2	46.0	6
Liquidity Ratio			1.6	0.2	7.6	15
Debt Gearing			0.7	0.2	1.7	11
Debtor Days			74.2	12.4	235.7	5
Creditor Days			54.9	15.8	154.6	4
Fixed Asset Turnover			12.7	2.4	30.6	5

Footnotes

* fewer than 3 cases available.

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3.3 Processors with 90%+ of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	6,806,039			58
Total Costs	95.8	57	6,314,882			57
Fish Purchases	68.8	28	2,067,000			28
Haulage & Distribution	3.5	32	253,713			33
Wages & Salaries	11.5	48	694,142			51
Energy	0.7	25	14,516			25
Total Direct Costs¹	83.9	57	5,528,380			57
Gross Profit	16.4	56	1,010,585			61
Rent & Rates	0.8	15	32,050			15
Repairs & Maintenance	0.7	29	22,376			29
Advertising/ Marketing	0.1	10	5,062			10
Depreciation	1.4	34	62,827			36
Bank Charges	0.4	23	6,988			23
Total Indirect Costs²	12.0	57	785,843			62
Operating Profit	4.3	58	230,566			63
Interest Payable	0.8	49	61,970			53
Pre-Tax Profit⁴	3.5	57	163,542			62
Ratios						
Return on Capital Employed			25.3	-69.1	191.4	59
Liquidity Ratio			2.6	0.2	38.8	82
Debt Gearing			0.7	0.2	1.4	53
Debtor Days			45.3	5.9	115.6	57
Creditor Days			26.1	1.1	138.5	46
Fixed Asset Turnover			17.1	1.6	272.7	57

Footnotes

* fewer than 3 cases available.

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3.4 Processors with 1-25 FTEs and 70% - 89% of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	715,584			6
Total Costs	106.0	5	768,740			5
Fish Purchases	76.1	5	661,165			5
Haulage & Distribution	9.3	4	22,923			4
Wages & Salaries	11.3	4	77,458			4
Energy	0.7	4	5,862			4
Total Direct Costs¹	82.4	5	686,643			5
Gross Profit	17.4	6	82,024			6
Rent & Rates	0.8	4	5,130			4
Repairs & Maintenance	1.4	4	9,386			4
Advertising/ Marketing	0.2	4	1,484			4
Depreciation	0.9	3	11,767			3
Bank Charges	0.5	5	3,567			5
Total Indirect Costs²	23.6	5	82,097			5
Operating Profit	-3.5	6	8,457			6
Interest Payable	1.2	5	6,314			5
Pre-Tax Profit⁴	-4.7	6	3,299			6
Ratios						
Return on Capital Employed						
Liquidity Ratio			1.7	0.2	7.6	9
Debt Gearing			0.8	0.2	1.7	6
Debtor Days			97.6	12.4	235.7	3
Creditor Days			64.7	15.8	154.6	3
Fixed Asset Turnover			9.2	2.4	22.3	3

Footnotes

* fewer than 3 cases available.

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3. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.
4. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

3.5 Processors with 1-25 FTEs and 90%+ of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	1,240,951			31
Total Costs	95.1	31	1,192,585			31
Fish Purchases	71.2	21	675,913			21
Haulage & Distribution	3.5	22	49,352			22
Wages & Salaries	8.9	28	116,853			28
Energy	0.6	20	6,067			20
Total Direct Costs¹	85.4	31	1,089,667			31
Gross Profit	14.6	31	151,284			31
Rent & Rates	0.9	9	8,909			9
Repairs & Maintenance	0.5	23	5,011			23
Advertising/ Marketing	0.1	5	635			5
Depreciation	1.1	24	12,332			24
Bank Charges	0.5	18	4,478			18
Total Indirect Costs²	9.7	31	102,919			31
Operating Profit	4.9	31	48,796			31
Interest Payable	0.8	24	8,223			24
Pre-Tax Profit⁴	4.6	31	45,190			31
Ratios						
Return on Capital Employed			41.7	-29.7	191.4	29
Liquidity Ratio			3.1	0.2	38.8	45
Debt Gearing			0.8	0.2	1.4	28
Debtor Days			35.6	5.9	79.3	30
Creditor Days			21.2	1.1	71.6	22
Fixed Asset Turnover			24.3	1.6	272.7	30

Footnotes

* fewer than 3 cases available.

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3.6 Pelagic processors, with 50 - 89% of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	2,155,173			4
Total Costs	100.2	4	2,055,482			4
Fish Purchases		*				*
Haulage & Distribution	12.6	3	22,218			3
Wages & Salaries	12.4	3	474,360			3
Energy		*				*
Total Direct Costs¹	66.9	4	1,551,590			4
Gross Profit	33.1	4	603,584			4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	33.3	4	503,892			4
Operating Profit	-0.2	4	99,691			4
Interest Payable	2.4	4	27,693			4
Pre-Tax Profit⁴	-2.6	4	75,803			4
Ratios						
Return on Capital Employed			33.1	6.8	59.1	3
Liquidity Ratio			0.6	0.3	0.9	4
Debt Gearing			1.0	0.6	1.7	4
Debtor Days						*
Creditor Days						*
Fixed Asset Turnover			3.4	2.4	6.0	4

Footnotes

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3.7 Pelagic processors, with 90%+ of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	9,742,989			6
Total Costs	95.0	6	9,030,339			6
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	14.3	5	1,799,044			5
Energy		*				*
Total Direct Costs¹	75.9	6	7,062,908			6
Gross Profit	24.1	6	2,680,080			6
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	19.1	6	1,967,430			6
Operating Profit	5.1	6	726,731			6
Interest Payable	1.8	5	155,504			5
Pre-Tax Profit⁴	4.4	6	680,337			6
Ratios						
Return on Capital Employed			27.4	-13.8	98.6	6
Liquidity Ratio			2.4	0.9	9.4	6
Debt Gearing			0.8	0.7	1.1	5
Debtor Days			66.5	35.9	115.6	6
Creditor Days			48.4	12.3	138.5	6
Fixed Asset Turnover			6.3	3.0	10.8	6

Footnotes

* fewer than 3 cases available.

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3.8 Demersal processors, with 50 - 89% of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	4,973,035			7
Total Costs	99.5	7	4,901,125			7
Fish Purchases	77.7	5	1,009,388			5
Haulage & Distribution	2.8	4	191,942			4
Wages & Salaries	12.4	7	641,172			8
Energy	0.6	5	7,275			5
Total Direct Costs¹	92.1	7	4,616,852			7
Gross Profit	7.9	7	396,227			8
Rent & Rates	1.7	3	22,554			3
Repairs & Maintenance	0.7	4	6,763			4
Advertising/ Marketing	0.3	3	14,137			4
Depreciation	1.2	5	107,844			5
Bank Charges	0.5	4	5,920			4
Total Indirect Costs²	7.5	7	311,301			8
Operating Profit	0.5	7	84,925			8
Interest Payable	0.3	6	39,758			7
Pre-Tax Profit⁴	0.3	7	51,800			8
Ratios						
Return on Capital Employed			22.5	-41.2	67.1	6
Liquidity Ratio			1.2	0.2	2.4	11
Debt Gearing			0.7	0.3	1.2	6
Debtor Days			68.9	11.5	235.7	6
Creditor Days			42.2	3.2	154.6	5
Fixed Asset Turnover			16.9	4.9	30.6	5

Footnotes

* fewer than 3 cases available.

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3.9 Demersal processors, with 90%+ of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	3,954,172			28
Total Costs	96.6	28	3,923,711			28
Fish Purchases	73.9	16	2,484,200			16
Haulage & Distribution	3.5	16	229,399			17
Wages & Salaries	9.7	25	400,969			26
Energy	0.6	14	4,252			14
Total Direct Costs¹	87.8	28	3,383,648			28
Gross Profit	12.7	27	620,669			30
Rent & Rates	0.8	8	39,817			8
Repairs & Maintenance	0.6	17	17,753			17
Advertising/ Marketing	0.0	4	463			4
Depreciation	1.0	20	55,172			22
Bank Charges	0.4	15	6,712			15
Total Indirect Costs²	8.9	28	552,963			31
Operating Profit	3.6	28	71,105			31
Interest Payable	0.5	25	24,671			28
Pre-Tax Profit⁴	3.3	27	28,882			30
Ratios						
Return on Capital Employed			30.0	-29.7	191.4	27
Liquidity Ratio			2.7	0.2	38.8	42
Debt Gearing			0.7	0.3	1.4	28
Debtor Days			34.8	5.9	69.8	27
Creditor Days			19.9	1.1	48.3	18
Fixed Asset Turnover			22.4	1.6	272.7	27

Footnotes

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3.10 Mixed processors, with 50 - 89% of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	4,542,907			9
Total Costs	95.6	8	4,940,041			8
Fish Purchases	66.9	6	573,634			6
Haulage & Distribution	2.7	6	128,795			6
Wages & Salaries	14.3	8	709,687			9
Energy	1.0	5	5,529			5
Total Direct Costs¹	83.7	8	4,473,962			8
Gross Profit	16.3	9	540,286			10
Rent & Rates	2.0	5	13,784			5
Repairs & Maintenance	1.3	6	6,603			6
Advertising/ Marketing	0.3	4	10,592			5
Depreciation	1.8	5	103,210			5
Bank Charges	0.5	5	4,093			5
Total Indirect Costs²	11.9	8	469,904			9
Operating Profit	4.9	9	114,280			10
Interest Payable	1.0	9	38,079			10
Pre-Tax Profit⁴	3.8	9	77,611			10
Ratios						
Return on Capital Employed			23.6	-41.2	67.1	8
Liquidity Ratio			1.1	0.2	2.4	16
Debt Gearing			0.7	0.3	1.2	10
Debtor Days			60.1	11.5	235.7	8
Creditor Days			36.0	3.2	154.6	7
Fixed Asset Turnover			10.4	2.4	30.6	7

Footnotes

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3.11 Mixed processors, with 90%+ of Total Turnover from fish processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	8,834,094			43
Total Costs	96.1	42	8,234,033			42
Fish Purchases	66.1	18	2,851,607			18
Haulage & Distribution	3.1	23	327,504			24
Wages & Salaries	12.8	35	901,661			38
Energy	1.0	15	21,854			15
Total Direct Costs¹	82.5	42	7,192,762			42
Gross Profit	17.9	41	1,299,633			46
Rent & Rates	0.8	10	44,010			10
Repairs & Maintenance	0.8	18	33,409			18
Advertising/ Marketing	0.1	9	5,615			9
Depreciation	1.5	23	86,482			25
Bank Charges	0.5	13	10,563			13
Total Indirect Costs²	13.6	42	1,013,299			47
Operating Profit	4.0	43	286,394			48
Interest Payable	0.9	37	77,816			41
Pre-Tax Profit⁴	3.1	42	200,744			47
Ratios						
Return on Capital Employed			21.2	-69.1	191.4	45
Liquidity Ratio			2.2	0.3	14.6	58
Debt Gearing			0.7	0.2	1.1	41
Debtor Days			49.0	8.9	115.6	43
Creditor Days			28.7	3.9	138.5	36
Fixed Asset Turnover			17.7	2.9	272.7	43

Footnotes

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CHAPTER FOUR

Pack Sizes

4.1 Pack Sizes and Fish Type

The survey asked processors to estimate what proportion of their turnover was generated by sales of products in various pack sizes (see question 8. in the survey questionnaire, p107). Respondents were asked what percentages of sales by value and by weight were sold in pack sizes less than 0.5kg, 0.5kg – 2.99kg, 3kg to 4kg and over 4kg. Each company was categorised into a main pack size if more than 55% of value or weight was within a particular category. This method enabled assessment of differences in cost structure for companies selling in various pack sizes. As the potential to add value varies across fish types, financial performance and cost structure were analysed by fish type and pack size.

Of those companies which answered this question, sufficient returns were gathered only for pelagic fish processors and shellfish processors.

Tables 4.1 (p73) and 4.2 (p74) present the performance of pelagic processors selling in packs less than 0.5kg and pack sizes greater than 4kg respectively. Tables 4.3 (p75) and 4.4 (p76) present the performance of shellfish processors selling in packs less than 0.5kg and in packs of 0.5kg – 2.99kg respectively.

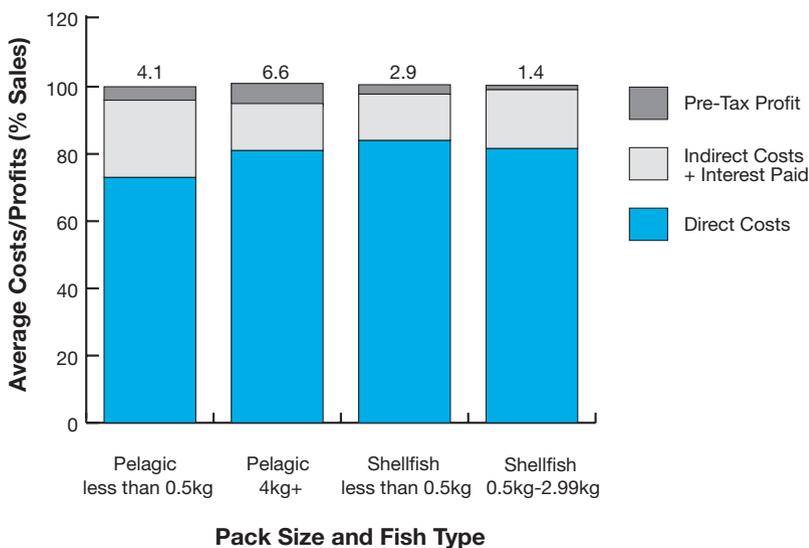


Figure 4.1 Cost Structures by Pack Size and Fish Type

There are minor differences in pre-tax profit as a percentage of sales between the two pack sizes for pelagic fish processors, but these were not found to be significantly different. The same is the case for pre-tax profit as a percentage of sales in shellfish processing.

Although profitability does not appear to vary with pack size, the proportion of sales accounted for by wages and salaries does vary significantly between companies focussing on different pack sizes. Table 4.1 shows that on average, for companies processing pelagic fish predominantly selling pack sizes less than 0.5kg, wages and salaries were 24.2% of sales, while for pelagic processors selling pack sizes over 4.0 kg, wages and salaries were on average only 7.4% of sales. This is a reflection of the labour intensity of the processes required to deliver products in smaller, individually wrapped packages. This difference is also true for shellfish processors, as shown in tables 4.3 and 4.4. For shellfish processors selling mainly smaller packs, under 0.5kg, wages and salaries accounted on average, for 21.4% of turnover, while for companies selling larger packs, over 4.0kg, wages and salaries were on average 11.3% of sales.

4.1 Financial Performance of Pelagic processors mainly selling pack sizes less than 0.5kg

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	8,128,560			4
Total Costs	94.7	4	7,780,241			4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	24.2	3	2,613,450			3
Energy		*				*
Total Direct Costs¹	73.3	4	6,090,575			4
Gross Profit	26.7	4	2,037,985			4
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	21.3	4	1,689,666			4
Operating Profit	5.3	4	348,412			4
Interest Payable	2.1	4	129,764			4
Pre-Tax Profit⁴	4.1	4	326,089			4
Ratios						
Return on Capital Employed			40.5	12.0	98.6	4
Liquidity Ratio			1.1	0.9	1.4	4
Debt Gearing			0.8	0.7	1.1	4
Debtor Days			58.1	35.9	80.3	4
Creditor Days			37.0	12.3	71.6	4
Fixed Asset Turnover			6.7	4.9	10.8	4

Footnotes

* fewer than 3 cases available.

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3. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

4. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

4.2 Financial Performance of Pelagic processors mainly selling pack sizes 4.0kg and over

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	10,882,322			5
Total Costs	93.7	5	10,132,640			5
Fish Purchases	59.2	3	1,240,313			3
Haulage & Distribution	5.7	3	185,605			3
Wages & Salaries	7.4	4	619,688			4
Energy	1.2	3	11,481			3
Total Direct Costs¹	80.9	5	8,738,981			5
Gross Profit	19.1	5	2,143,341			5
Rent & Rates	2.9	3	30,221			3
Repairs & Maintenance	1.1	3	19,469			3
Advertising/ Marketing						
Depreciation	2.7	3	66,001			3
Bank Charges	0.3	3	6,323			3
Total Indirect Costs²	12.8	5	1,393,659			5
Operating Profit	6.4	5	763,518			5
Interest Payable	1.0	5	95,283			5
Pre-Tax Profit⁴	6.6	5	697,645			5
Ratios						
Return on Capital Employed			22.7	-10.6	59.1	5
Liquidity Ratio			2.6	0.4	9.4	5
Debt Gearing			0.8	0.7	0.8	4
Debtor Days			47.0	19.2	67.7	5
Creditor Days			19.1	13.2	29.6	5
Fixed Asset Turnover			9.8	2.5	24.6	5

Footnotes

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4.3 Financial Performance of Shellfish processors mainly selling pack sizes less than 0.5kg

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	14,599,064			5
Total Costs	96.3	5	14,172,492			5
Fish Purchases		*				*
Haulage & Distribution	2.5	3	555,279			3
Wages & Salaries	21.4	3	1,344,090			3
Energy		*				*
Total Direct Costs¹	83.9	5	12,867,598			5
Gross Profit	16.1	5	1,731,466			5
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	12.3	5	1,304,894			5
Operating Profit	3.8	5	435,849			5
Interest Payable	1.5	5	254,855			5
Pre-Tax Profit⁴	2.9	5	188,414			5
Ratios						
Return on Capital Employed			6.1	0.9	11.7	5
Liquidity Ratio			3.4	1.1	5.1	6
Debt Gearing			0.5	0.2	0.7	5
Debtor Days			75.0	43.7	107.4	5
Creditor Days			29.8	10.3	48.8	5
Fixed Asset Turnover			5.2	3.7	6.5	5

Footnotes

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4.4 Financial Performance of Shellfish processors mainly selling pack sizes 0.5kg - 2.99kg

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	3,135,424			4
Total Costs	97.2	4	3,046,468			4
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	11.3	4	685,979			7
Energy		*				*
Total Direct Costs¹	81.6	4	2,700,382			4
Gross Profit	18.4	4	660,270			7
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	15.6	4	577,446			7
Operating Profit	2.8	4	82,824			7
Interest Payable	1.9	3	44,080			5
Pre-Tax Profit⁴	1.4	4	60,817			7
Ratios						
Return on Capital Employed			15.4	-19.	95.6	7
Liquidity Ratio			1.3	0.4	3.7	9
Debt Gearing			0.9	0.5	1.2	7
Debtor Days			35.6	13.5	66.0	4
Creditor Days			28.2	5.3	50.5	4
Fixed Asset Turnover			7.2	3.4	12.3	4

Footnotes

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CHAPTER 5

Mechanisation

5.1 Extent of Mechanical Processing

Fish can be processed by manual filleting or can be processed with activities such as skinning, breading/battering, compressing, glazing, packing, filleting, steaming, grading, heading/gutting and deboning, all of which can be carried out or aided by machinery. Other processes such as freezing and cooking always require machinery. To assess whether there was any difference in costs and profitability between companies who hand processed all of their fish and those which carried out some degree of mechanical processing, data were collected relating to the degree of mechanisation in processing activities. Four categories were identified: no mechanical processing, 1 – 49% fish having some mechanical processing, 50 – 79% fish having some mechanical processing and 80%+ fish having some mechanical processing.

Tables 5.1 (p80) to 5.3 (p82) present the financial performance of companies grouped by these categories, where there were sufficient returns. These figures are also illustrated in graphs 5.1, 5.2 and 5.3.

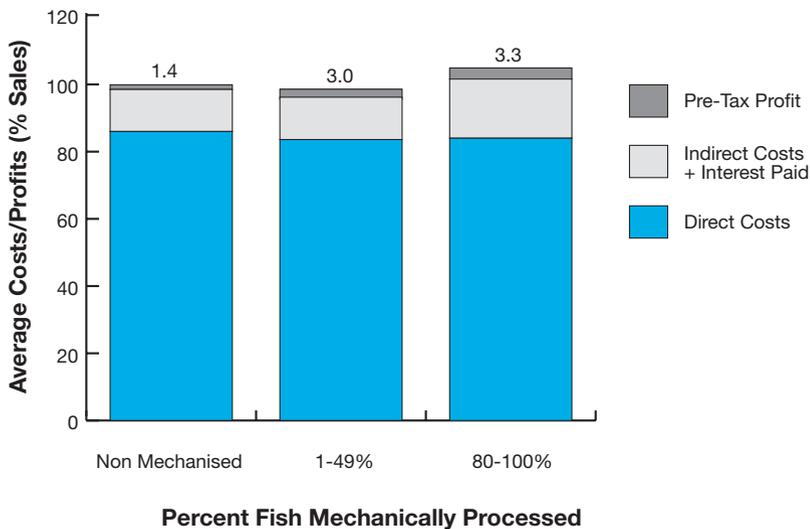


Figure 5.1 Cost Structures by Percent Fish Mechanically Processed

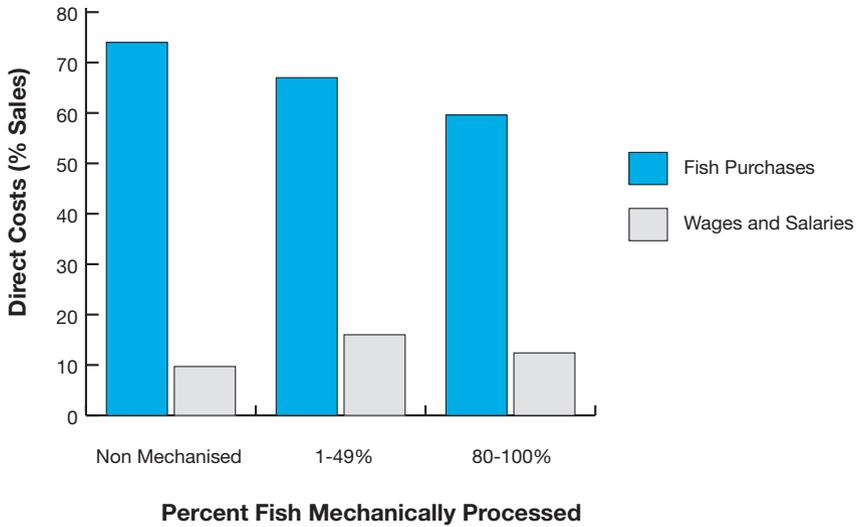


Figure 5.2 Direct Costs by Percent Fish Mechanically Processed

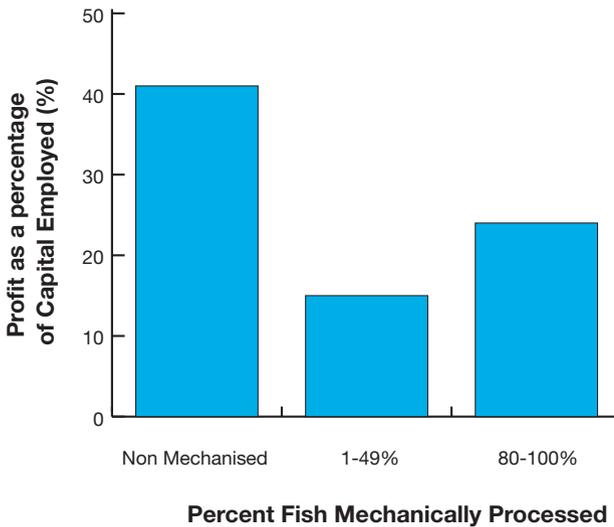


Figure 5.3 Return on Capital Employed by Percent Fish Mechanically Processed

Although there are no significant differences in the direct or indirect costs as a percentage of sales and the pre-tax profit as percentage of sales, there are differences in the composition of these costs. The wages as a percentage of sales are significantly higher for processors with 1-50% of fish processed mechanically,

compared against companies with no mechanical processing. This may suggest that those companies with a mix of mechanical and manual processing operations may not have the most efficient combination of processes. There is no significant difference between wages of companies with greater than 80% fish mechanically processed and those with no mechanical processing.

Analysis of indirect costs reveals differences in the repairs and maintenance costs. As would be expected, the repairs and maintenance costs are higher as a percentage of sales for companies with a higher percentage of fish mechanically processed, and this difference is statistically significant between processors with no mechanical processing and those with 80%+ of fish mechanically processed.

Because installing mechanical processing equipment can involve substantial capital investment in machinery, processors should ensure that they have an accurate understanding of what returns they can expect for their investment and how the altered processes will affect the cost structure of their business. It may be thought that increased usage of machinery will increase the volume of fish that can be processed and, therefore, the profitability of the business. It is shown in tables 5.1 to 5.3 that there is higher average turnover for companies with more mechanisation and this difference is significant between companies not mechanically processing and those processing 80%+ of their fish mechanically.

But what of the return on the actual investment? Graph 5.3 illustrates the return as a percentage of the capital employed. The return is a lower percentage for the mechanical processors, but in this sample, this is not significantly different between these three groups.

All types of processors grouped together revealed some significant differences in costs structures according to degree of mechanisation, but the same was not true when degree of mechanisation was examined in relation to process type and fish type, possibly because of the smaller sample sizes.

5.2 Extent of Mechanical Processing and Process Type

Tables 5.4 (p83) to 5.8 (p87) illustrate the performance of mixed processors and primary processors categorised by degree of mechanisation. No significant differences were found between individual cost and profit elements as a percentage of sales between the degrees of mechanisation for each process type.

5.2 Extent of Mechanical Processing and Fish Type

Tables 5.9 (p88) to 5.11 (p90) show the performance of demersal processors by the extent of mechanical processing. Statistical tests on these data also found no significant differences between the differing degrees of mechanisation.

5.1 Financial Performance of processors with no mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	2,561,198			25
Total Costs	98.1	25	2,506,686			25
Fish Purchases	73.6	15	706,243			15
Haulage & Distribution	5.6	13	44,344			13
Wages & Salaries	9.7	22	366,296			22
Energy	0.6	12	5,893			12
Total Direct Costs¹	86.3	25	2,201,804			25
Gross Profit	13.7	25	359,394			25
Rent & Rates	1.1	9	11,300			9
Repairs & Maintenance	0.6	14	4,165			14
Advertising/ Marketing	0.2	6	2,857			6
Depreciation	1.0	15	15,188			15
Bank Charges	0.4	13	3,415			13
Total Indirect Costs²	11.7	25	304,882			25
Operating Profit	2.0	25	55,046			25
Interest Payable	0.8	22	24,065			22
Pre-Tax Profit⁴	1.4	25	37,120			25
Ratios						
Return on Capital Employed			41.3	-4.0	191.4	19
Liquidity Ratio			2.7	0.2	38.8	34
Debt Gearing			0.9	0.4	1.7	20
Debtor Days			43.4	5.9	235.7	22
Creditor Days			25.5	1.1	154.6	18
Fixed Asset Turnover			24.1	2.8	272.7	22

Footnotes

* fewer than 3 cases available.

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5.2 Financial Performance of processors with 1% - 49% of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	5,319,360			15
Total Costs	95.2	15	5,179,867			15
Fish Purchases	67.0	9	3,693,821			9
Haulage & Distribution	4.3	9	353,566			10
Wages & Salaries	15.9	13	810,353			15
Energy	0.9	9	15,404			9
Total Direct Costs¹	83.6	15	4,420,671			15
Gross Profit	17.4	14	954,558			17
Rent & Rates	1.4	5	63,530			5
Repairs & Maintenance	0.9	10	38,796			10
Advertising/ Marketing	0.1	5	7,706			6
Depreciation	1.4	11	43,918			12
Bank Charges	0.3	8	11,130			8
Total Indirect Costs²	11.6	15	768,994			18
Operating Profit	5.1	15	172,071			18
Interest Payable	1.0	13	40,884			15
Pre-Tax Profit⁴	3.0	14	57,384			17
Ratios						
Return on Capital Employed			15.3	-69.1	98.6	17
Liquidity Ratio			2.0	0.4	9.1	23
Debt Gearing			0.7	0.2	1.1	16
Debtor Days			49.2	17.2	99.6	15
Creditor Days			22.7	5.7	71.6	12
Fixed Asset Turnover			11.6	2.5	36.4	15

Footnotes

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5.3 Financial Performance of processors with 80%+ of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	10,711,704			18
Total Costs	96.2	17	9,789,133			17
Fish Purchases	59.6	7	1,120,882			7
Haulage & Distribution	3.1	12	347,240			12
Wages & Salaries	12.4	12	556,046			15
Energy	0.7	8	14,595			8
Total Direct Costs¹	84.2	17	9,118,766			17
Gross Profit	15.8	17	880,382			21
Rent & Rates	1.4	6	23,374			6
Repairs & Maintenance	1.2	8	20,830			8
Advertising/ Marketing	0.6	4	9,161			4
Depreciation	1.7	9	106,553			10
Bank Charges	0.4	6	5,784			6
Total Indirect Costs²	12.1	17	676,374			21
Operating Profit	3.8	18	233,517			22
Interest Payable	0.9	16	95,183			20
Pre-Tax Profit⁴	3.3	18	155,102			22
Ratios						
Return on Capital Employed			24.3	-29.7	122.9	22
Liquidity Ratio			1.9	0.3	9.4	25
Debt Gearing			0.7	0.2	1.2	16
Debtor Days			48.1	13.5	107.4	17
Creditor Days			26.6	3.9	58.1	15
Fixed Asset Turnover			16.8	2.4	99.3	18

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5.4 Financial Performance of Mixed processors with no mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	3,724,617			15
Total Costs	96.5	15	3,650,097			15
Fish Purchases	71.6	8	788,950			8
Haulage & Distribution	2.6	7	35,347			7
Wages & Salaries	12.3	13	581,003			13
Energy	0.7	6	8,398			6
Total Direct Costs¹	86.0	15	3,180,452			15
Gross Profit	14.0	15	544,165			15
Rent & Rates	1.2	5	14,732			5
Repairs & Maintenance	0.6	8	4,109			8
Advertising/ Marketing	0.2	4	3,463			4
Depreciation	0.9	8	18,954			8
Bank Charges	0.3	6	3,679			6
Total Indirect Costs²	10.5	15	469,645			15
Operating Profit	3.5	15	74,520			15
Interest Payable	0.9	14	36,311			14
Pre-Tax Profit⁴	2.8	15	45,791			15
Ratios						
Return on Capital Employed			47.2	1.1	191.4	12
Liquidity Ratio			1.7	0.5	13.1	20
Debt Gearing			0.8	0.4	1.1	13
Debtor Days			53.0	11.5	235.7	15
Creditor Days			32.3	3.2	154.6	13
Fixed Asset Turnover			30.3	2.9	272.7	14

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5.5 Financial Performance of Mixed processors with 1 - 49% of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	7,278,610			10
Total Costs	95.5	10	7,104,271			10
Fish Purchases	64.4	6	5,006,140			6
Haulage & Distribution	4.0	6	477,568			7
Wages & Salaries	17.1	9	1,042,588			11
Energy	1.2	5	21,823			5
Total Direct Costs¹	82.5	10	6,028,508			10
Gross Profit	19.3	9	1,270,682			12
Rent & Rates	1.6	4	76,278			4
Repairs & Maintenance	1.1	6	60,168			6
Advertising/ Marketing	0.1	4	8,874			5
Depreciation	1.9	7	60,822			8
Bank Charges	0.4	5	16,247			5
Total Indirect Costs²	13.0	10	1,016,276			13
Operating Profit	4.9	10	211,406			13
Interest Payable	0.9	9	49,531			11
Pre-Tax Profit⁴	2.2	9	57,910			12
Ratios						
Return on Capital Employed			5.3	-69.1	59.1	12
Liquidity Ratio			1.4	0.4	3.7	16
Debt Gearing			0.7	0.5	0.9	11
Debtor Days			52.4	17.2	99.6	10
Creditor Days			20.1	9.4	37.7	8
Fixed Asset Turnover			11.3	2.5	36.4	10

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5.6 Financial Performance of Mixed processors with 80%+ of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	12,669,544			15
Total Costs	96.7	14	11,700,454			14
Fish Purchases	58.7	5	1,295,918			5
Haulage & Distribution	3.2	10	410,366			10
Wages & Salaries	12.8	10	623,793			12
Energy	0.8	6	18,413			6
Total Direct Costs¹	84.6	14	10,903,032			14
Gross Profit	15.4	14	1,014,692			17
Rent & Rates	1.1	4	28,534			4
Repairs & Maintenance	1.2	6	24,884			6
Advertising/ Marketing	0.2	3	9,369			3
Depreciation	1.7	7	130,742			8
Bank Charges	0.3	4	6,778			4
Total Indirect Costs²	12.1	14	775,609			17
Operating Profit	3.3	15	273,201			18
Interest Payable	0.8	14	110,731			17
Pre-Tax Profit⁴	2.9	15	177,796			18
Ratios						
Return on Capital Employed			15.0	-29.7	76.0	18
Liquidity Ratio			2.1	0.3	9.4	19
Debt Gearing			0.7	0.2	0.9	13
Debtor Days			46.7	13.5	107.4	14
Creditor Days			25.7	3.9	58.1	12
Fixed Asset Turnover			14.9	2.4	99.3	15

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- Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.
- The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

5.7 Financial Performance of Primary processors with no mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	894,203	248,000	1,841,000	9
Total Costs	97.0	9	863,142	242,000	1,679,000	9
Fish Purchases	76.0	7	611,721	185,000	1,131,000	7
Haulage & Distribution	5.0	5	59,142	10,000	174,000	5
Wages & Salaries	5.8	9	56,163	16,000	207,000	9
Energy	0.4	6	3,388	1,000	7,000	6
Total Direct Costs²	90.5	9	808,643	221,000	1,604,000	9
Gross Profit	9.5	9	85,560	15,000	237,000	9
Rent & Rates	0.8	4	7,011	1,000	18,000	4
Repairs & Maintenance	0.5	6	4,239	0	9,000	6
Advertising/ Marketing						
Depreciation	1.2	7	10,883	2,000	25,000	7
Bank Charges	0.4	7	3,189	1,000	9,000	7
Total Indirect Costs³	6.5	9	54,499	14,000	94,000	9
Operating Profit	3.1	9	32,543	-39,000	163,000	9
Interest Payable	0.4	7	2,620	1,000	5,000	7
Pre-Tax Profit⁵	2.8	9	30,933	-39,000	159,000	9
Ratios						
Return on Capital Employed			31.1	-4.0	63.8	7
Liquidity Ratio			4.3	0.2	38.8	13
Debt Gearing			0.9	0.5	1.4	6
Debtor Days			23.0	5.9	50.5	7
Creditor Days			7.8	1.1	12.6	5
Fixed Asset Turnover			14.7	5.4	44.9	7

Footnotes

* fewer than 3 cases available.

1. Figures rounded to the nearest 1,000.

2. Total Direct Costs are not just the sum of the four Direct Costs that are listed, they include other costs - for definition see the Glossary of Terms, page 101.

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4. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001

5. The Average Pre-tax Profit as a Percentage of sales is the average (mean) value of the pre-tax profit as a % sales figures, and not the difference between the average turnover per business and the average total costs.

5.8 Financial Performance of Primary processors with 1 - 49% of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	1,394,451			4
Total Costs	95.5	4	1,338,949			4
Fish Purchases	72.2	3	1,069,184			3
Haulage & Distribution		*				*
Wages & Salaries	13.3	4	171,709			4
Energy	0.5	4	7,381			4
Total Direct Costs¹	90.1	4	1,261,754			4
Gross Profit	9.9	4	132,697			4
Rent & Rates						
Repairs & Maintenance	0.5	4	6,738			4
Advertising/ Marketing		*				*
Depreciation	0.7	4	10,110			4
Bank Charges	0.2	3	2,602			3
Total Indirect Costs²	5.4	4	77,195			4
Operating Profit	4.5	4	55,502			4
Interest Payable	0.2	3	3,046			3
Pre-Tax Profit⁴	4.3	4	53,228			4
Ratios						
Return on Capital Employed			24.4	-20.1	46.0	4
Liquidity Ratio			3.7	1.1	9.1	6
Debt Gearing			0.5	0.2	0.7	4
Debtor Days			33.8	19.3	44.6	4
Creditor Days			13.4	5.7	23.6	3
Fixed Asset Turnover			12.5	8.2	22.3	4

Footnotes

* fewer than 3 cases available.

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3. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.
4. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

5.9 Financial Performance of Demersal processors with no mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	2,105,510			17
Total Costs	97.9	17	2,096,606			17
Fish Purchases	77.1	11	641,708			11
Haulage & Distribution	3.2	8	33,510			8
Wages & Salaries	8.7	16	235,865			16
Energy	0.4	9	3,099			9
Total Direct Costs¹	89.7	17	1,860,269			17
Gross Profit	10.3	17	245,241			17
Rent & Rates	1.2	8	12,180			8
Repairs & Maintenance	0.6	10	3,521			10
Advertising/ Marketing	0.2	5	2,874			5
Depreciation	1.0	11	13,918			11
Bank Charges	0.4	11	3,669			11
Total Indirect Costs²	8.2	17	236,337			17
Operating Profit	2.2	17	9,688			17
Interest Payable	0.4	16	10,910			16
Pre-Tax Profit⁴	1.9	17	273			17
Ratios						
Return on Capital Employed			46.3	-12.3	191.4	13
Liquidity Ratio			2.9	0.2	38.8	22
Debt Gearing			0.8	0.5	1.4	13
Debtor Days			42.1	5.9	235.7	15
Creditor Days			27.7	1.1	154.6	12
Fixed Asset Turnover			33.5	4.9	272.7	14

Footnotes

* fewer than 3 cases available.

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3. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.
4. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

5.10 Financial Performance of Demersal processors with 1 - 49% of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	5,378,546			8
Total Costs	97.5	8	5,331,323			8
Fish Purchases	71.2	6	4,580,868			6
Haulage & Distribution	4.8	5	541,455			6
Wages & Salaries	15.2	7	340,610			8
Energy	0.6	6	8,226			6
Total Direct Costs¹	90.5	8	4,748,655			8
Gross Profit	10.7	7	718,122			9
Rent & Rates		*				*
Repairs & Maintenance	0.6	7	38,702			7
Advertising/ Marketing	0.0	2	14,677			3
Depreciation	0.9	7	33,509			8
Bank Charges	0.5	5	15,836			5
Total Indirect Costs²	7.1	8	589,130			10
Operating Profit	3.0	8	128,311			10
Interest Payable	0.5	7	30,001			9
Pre-Tax Profit⁴	2.7	7	36,015			9
Ratios						
Return on Capital Employed			11.3	-41.2	46.0	9
Liquidity Ratio			1.8	0.5	9.1	12
Debt Gearing			0.6	0.4	0.8	8
Debtor Days			38.0	17.2	65.8	8
Creditor Days			15.3	5.7	23.6	5
Fixed Asset Turnover			13.0	3.1	30.6	8

Footnotes

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- Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.
- The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

5.11 Financial Performance of Demersal processors with 80%+ of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	6,767,771			5
Total Costs	96.6	5	6,702,089			5
Fish Purchases		*				*
Haulage & Distribution	2.9	4	233,505			4
Wages & Salaries	10.2	4	793,226			5
Energy		*				*
Total Direct Costs¹	91.4	5	6,365,676			5
Gross Profit	8.6	5	558,352			7
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation	0.8	4	148,020			5
Bank Charges		*				*
Total Indirect Costs²	5.2	5	424,676			7
Operating Profit	3.4	5	133,675			7
Interest Payable	0.4	4	56,158			6
Pre-Tax Profit⁴	3.4	5	90,766			7
Ratios						
Return on Capital Employed			26.4	-29.7	122.9	7
Liquidity Ratio			1.5	0.3	4.0	9
Debt Gearing			0.7	0.6	0.9	5
Debtor Days			45.8	36.0	56.1	5
Creditor Days			27.9	11.8	45.2	4
Fixed Asset Turnover			19.9	5.3	38.8	5

Footnotes

* fewer than 3 cases available.

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3. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

4. The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

5.12 Financial Performance of Shellfish processors with no mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	3,391,273			3
Total Costs	92.3	3	3,252,200			3
Fish Purchases		*				*
Haulage & Distribution		*				*
Wages & Salaries	10.3	3	378,071			3
Energy		*				*
Total Direct Costs¹	85.0	3	2,988,929			3
Gross Profit	15.0	3	402,345			3
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	7.4	3	263,272			3
Operating Profit	7.7	3	139,073			3
Interest Payable		*				*
Pre-Tax Profit⁴	7.2	3	108,308			3
Ratios						
Return on Capital Employed			29.7	2.3	55.3	3
Liquidity Ratio			4.5	1.0	13.1	4
Debt Gearing			0.7	0.4	0.9	3
Debtor Days			42.0	22.3	53.4	3
Creditor Days			7.8	6.5	9.9	3
Fixed Asset Turnover			10.6	8.9	12.3	3

Footnotes

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5.13 Financial Performance of Shellfish processors with 80%+ of fish having some mechanical processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	12,648,832			5
Total Costs	95.8	5	12,303,129			5
Fish Purchases						
Haulage & Distribution	2.5	3	528,198			3
Wages & Salaries	16.1	3	501,921			4
Energy		*				*
Total Direct Costs¹	81.8	5	11,249,914			5
Gross Profit	18.2	5	1,306,988			6
Rent & Rates		*				*
Repairs & Maintenance		*				*
Advertising/ Marketing		*				*
Depreciation		*				*
Bank Charges		*				*
Total Indirect Costs²	14.1	5	1,008,710			6
Operating Profit	4.2	5	298,278			6
Interest Payable	1.6	5	159,670			6
Pre-Tax Profit⁴	3.0	5	137,922			6
Ratios						
Return on Capital Employed			23.0	2.5	95.6	6
Liquidity Ratio			1.5	0.6	4.4	7
Debt Gearing			0.8	0.5	1.2	6
Debtor Days			58.6	13.5	107.4	5
Creditor Days			29.1	5.3	50.5	5
Fixed Asset Turnover			5.5	3.7	6.7	5

Footnotes

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3. Financial results presented are from accounts gathered with financial year ends ranging from end March 2000 to end April 2001.

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CHAPTER 6

Salmon Processing

Businesses processing salmon face different cost and competitive pressures than businesses processing wild caught sea fish species, partly because there is a large salmon fish farming sector that provides a regular supply of salmon. It is therefore of interest to assess whether there are any differences between the costs and earnings of processors that process only sea fish and those that diversify into processing salmon in addition to sea fish.

Table 6.1 (p94) and table 6.2 (p95) show the financial performance of companies grouped according to whether salmon is processed in addition to sea fish. Although the pre-tax profit as a percentage of sales is slightly higher for companies not processing salmon, this difference was not found to be statistically significant.

Wages as a percentage of sales were found to be 10.7% for companies not processing salmon and 14.6% for companies processing sea fish and salmon. This difference is statistically significant, suggesting companies processing salmon may pay more for the combination of skills required.

Although slightly different, (varying between 83.1% and 84.5% of sales) the direct costs as a percentage of sales does not vary significantly between salmon and non-salmon companies. Indirect costs are higher for companies with salmon, an average of 14.1% of sales, compared to 12.8% of sales for non-salmon companies, but this difference was not found to be statistically significant.

It is not possible to conclude from these data that including salmon in the product range will lead to increased profitability. It may be the case however, that regular supplies of farmed fish can add a degree of certainty to the operations of processing companies that is not possible when relying predominantly or solely on wild caught UK landing for supplies.

6.1 Financial Performance of processors with no salmon processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	4,792,969			67
Total Costs	96.3	67	4,509,680			71
Fish Purchases	68.0	28	933,828			28
Haulage & Distribution	4.4	30	123,778			33
Wages & Salaries	10.6	57	651,938			82
Energy	0.8	27	13,463			27
Total Direct Costs¹	83.4	67	3,904,774			71
Gross Profit	16.9	65	801,254			91
Rent & Rates	1.4	15	18,416			15
Repairs & Maintenance	0.8	29	14,926			29
Advertising/ Marketing	0.4	12	6,119			12
Depreciation	1.8	37	57,066			43
Bank Charges	0.5	24	5,455			24
Total Indirect Costs²	12.8	67	642,282			94
Operating Profit	3.9	67	160,299			94
Interest Payable	0.9	57	60,635			82
Pre-Tax Profit⁴	3.0	67	116,851			94
Ratios						
Return on Capital Employed			21.5	-106.4	191.4	86
Liquidity Ratio			2.0	0.2	38.8	167
Debt Gearing			0.7	0.1	3.1	115
Debtor Days			44.8	0.5	107.4	64
Creditor Days			17.8	1.1	55.4	53
Fixed Asset Turnover			13.8	1.6	99.3	65

Footnotes

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6.2 Financial Performance of processors with some salmon processing

	Average as % Sales	No of Cases	Average	£ Min	Max	No of Cases
Turnover Per Business	-	-	11,662,365			21
Total Costs	98.6	19	11,443,725			19
Fish Purchases	71.3	9	4,199,602			9
Haulage & Distribution	3.1	13	452,510			13
Wages & Salaries	14.6	16	1,271,784			17
Energy	0.6	6	8,105			6
Total Direct Costs¹	84.5	19	10,208,801			19
Gross Profit	15.6	20	1,361,150			21
Rent & Rates	0.7	7	42,782			7
Repairs & Maintenance	0.8	8	34,888			8
Advertising/ Marketing	0.0	5	7,294			6
Depreciation	1.2	10	153,692			10
Bank Charges	0.3	7	9,392			7
Total Indirect Costs²	14.1	19	1,198,204			20
Operating Profit	2.0	21	270,275			22
Interest Payable	1.0	19	76,887			20
Pre-Tax Profit⁴	1.2	20	192,296			21
Ratios						
Return on Capital Employed			11.3	-41.2	98.6	18
Liquidity Ratio			1.5	0.6	3.6	28
Debt Gearing			0.7	0.3	1.1	17
Debtor Days			58.6	8.9	235.7	20
Creditor Days			49.9	15.8	154.6	18
Fixed Asset Turnover			25.6	2.4	272.7	19

Footnotes

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- The Average Pre-tax Profit as a Percentage of Sales is the average (mean) value of the pre-tax profit as a % sales figure, and not the difference between the average turnover per business and the average total costs.

Summary

The most striking finding to emerge from this survey was that operating profits for primary and mixed processors during financial years ended in 2000 to 2001 were higher than those achieved by secondary processors. Certainly the results for primary processors are an improvement over those shown by the sample collected during 2000 for years ended 1999 to 2000. Graph 1.1 showing the profitability of secondary and mixed processors, using audited, published accounts, is revealing and indicates that the general perception of secondary processing as being the most profitable is not necessarily always the case.

Analyses of performance according to company size showed that smaller companies can achieve better profitability than larger companies in many cases.

Categorising companies according to fish type revealed that demersal processors had significantly lower indirect costs than processors of other fish types. Splitting the grouping further by company size in addition to fish type, revealed no further statistically significant differences in costs and earnings, perhaps because samples were too small with such narrowly defined groups.

Splitting the results by process type and fish type indicated that for mixed processors, demersal fish processors have significantly higher direct costs as a percentage of sales than both shellfish and pelagic fish processors.

Chapter Three examined costs and earnings according to the degree of diversification into activities other than fish processing, but these analyses did not reveal any statistically significant differences.

It was expected that companies which sold their product in smaller pack sizes would, on average, have higher labour costs as a percentage of sales, than companies that sell in bulk, in large weight packages. Analysis of survey results showed that this is the case for pelagic and shellfish processors, although there were insufficient data to make the same claim for demersal processors.

Analysis of survey data relating to the degree of mechanisation of companies, revealed some surprising results relating to labour costs. Wages for companies which processed 1-50% of fish mechanically were a higher percentage of sales than wages in companies with no mechanical processing. As would be expected, repairs and maintenance formed a higher proportion of sales value for companies with a higher degree of mechanisation.

Analysis of the performance of companies according to whether or not they process salmon in addition to sea fish, showed no statistically significant difference in profitability, but companies processing salmon did have higher wage costs as a percentage of sales than those not processing salmon.

Methods

Survey

Data on the population of UK sea fish processing companies which was gathered in 2000 by Seafish was used as the base point for this survey. Further research using the Internet and other sources was carried out to identify any further companies that may have been missed in the previous year's survey.

A survey questionnaire and covering letter were sent to every processing company on the database, with a reply paid envelope for the return of the completed questionnaire. This amounted to 540 companies, a few of which had multiple sites. Financial data for companies with more than one site were included as one company. A copy of the questionnaire is contained in the Appendix.

Interviews were carried out to try to increase the rate of returns from sole traders, partnerships and smaller limited companies, whose audited accounts would not be published.

Published audited accounts were obtained via Companies House and the Merlin Scott Associates Fish Processing Report.

Firms which had not returned their questionnaires were contacted by telephone and a further questionnaire was mailed where appropriate.

In all, 201 questionnaires were returned to Seafish, although on some of these, not all the questions had been answered. In some cases, companies were contacted by telephone to obtain more complete information or to confirm apparently contradictory answers.

For some companies which did not return a questionnaire, published financial results were used and the company was categorised using information gathered during the telephone survey for the 2000 survey of the processing industry.

Table 8.1 shows the sample distribution and ratios for financial data used in the analyses, obtained via all of the above mentioned methods.

Analysis

Results were analysed using the Statistical Package for the Social Sciences (SPSS). Tests for statistically significant differences between the means of two independent samples were carried out using Levene's test for the equality of the variances followed by a T-test for equality of the means. The T-test was carried out using a 95% confidence limit.

Further details of analysis are available on request from the Economics Department of Seafish in Edinburgh.

8.1 Sample Distribution and Ratios for the Postal Questionnaire

UK Analyses

Process Type	Sample	Population	Sampling Ratio
Primary	54	199	27.1%
Mixed	126	281	44.8%
Secondary	23	60	38.3%
UK Total	203	540	37.6%

Company Size	Sample	Population	Sampling Ratio
1–25	110	386	28.5%
26–50	33	64	51.6%
51–100	28	41	68.3%
101+	32	49	65.3%
UK Total	203	540	37.6%

Fish Type	Sample	Population	Sampling Ratio
Mixed	53	197	26.9%
Mainly Demersal	90	239	37.7%
Mainly Pelagic	16	25	64.0%
Mainly Shellfish	44	79	55.7%
UK Total	203	540	37.6%

Glossary of Terms

Cost statistics

1. **Turnover Per Business** - this is taken from the sales revenue from companies' profit and loss statements.
2. **Total Costs** - this is a sum of Direct costs (or costs of sales) and Indirect costs (or overheads) from companies' profit and loss statements.
3. **Fish Purchases** – all fish purchases .
4. **Haulage and Distribution** - all transportation costs - eg. carriage in or carriage out, transportation costs.
5. **Wages and Salaries** - all staff costs: wages, salaries, pension costs, National Insurance contributions. Excludes directors' salaries or fees.
6. **Energy** - all heat and light costs.
7. **Total Direct Costs** - items 3 to 6, plus other direct costs (packaging, cold storage, water, change in stocks).
8. **Rent and Rates** - rent paid to landlords and non-domestic rates paid to local authorities.
9. **Repairs and Maintenance** - all repairs whether to factory equipment, office equipment, buildings or motor vehicles.
10. **Advertising/Marketing** - all costs associated with promotional activities.
11. **Depreciation** - all written down amounts of the processors' fixed assets eg. of buildings, equipment, motor vehicles, fixtures and fittings, machinery.
12. **Bank Charges** - all bank charges excluding bank interest and loan repayments.
13. **Total Indirect Costs** – items 8 to 12 plus insurance, motor and travelling expenses (not related to distributing goods) professional fees (legal fees, accountancy fees, consultancy fees), office expenses (including telephone, hire of equipment, postage, stationery, printing) other sundry expenses and provision for bad debts, as listed in each company's accounts.
14. **Operating Profit** – Turnover less Direct and Indirect Costs.

15. **Interest Payable** - interest on debts whether owing to banks, directors, Hire Purchase Creditors or elsewhere.
16. **Pre-Tax Profit.** Operating Profit less interest payable, loss on the sales of assets, and other charges and including interest receivable and other non-operating income.
17. **Return On Capital Employed-** Is a measure of financial efficiency, measuring the pre-tax profit as a percentage of the funds invested (i.e. Capital Employed = Share Capital + Profit and Loss reserves + other reserves + long term loans + other liabilities). It is calculated by: $(\text{pre-tax profit} \times 100) / \text{Capital employed}$.
18. **Liquidity Ratio:** Current Assets/Current Liabilities. Measures the ability of a company to service its immediate outgoings. A ratio greater than 1 implies that the company is solvent and can meet its current liabilities.
19. **Debt Gearing:** Total Debts/Total Assets. Measures the amount of finance provided by the creditors. A ratio greater than 0.5 suggests that most funds are provided by creditors.
20. **Debtor Days:** $(\text{Debtors} \times 365) / \text{sales}$. Measures how long it takes on average, to collect payment from debtors.
21. **Creditor Days:** $(\text{Creditors} \times 365) / \text{sales}$. Measures how many days on average a company takes to pay its debts.
22. **Fixed Asset Turnover:** Sales/Fixed Assets. Indicates how capital intensive the firm is - i.e. how much revenue it is generating from its fixed assets.

Statistics groupings

- I. **Average as a Percentage of sales.** Each of the above financial statistics (points 2 – 16) are calculated as a % sales for each company then the mean of these percentages is found. This figure indicates the level of significance to firms' costs and revenues. If total turnover is not available for a company then this figure cannot be calculated.
- II. **Number of cases.** Indicates the number of companies whose data is included for each measure.
- III. **Average.** The arithmetic mean value of the actual values in £. For some measures, companies can have their data included in this column but not in average as a percentage of sales, if their detailed figures were available but not their turnover figure.

- IV. **Min.** The minimum recorded value for that statistic.
- V. **Max.** The maximum recorded value for that statistic.

- It should be noted that if there are not any statistics shown for points 1 to 22, this is because there were not enough contributors (less than 3), not that the values of these statistics were zero.

Categorisation Terms

- **FTEs:** Full Time Equivalent Employees. Calculated number including full-time employees, plus part-time employees and seasonal full-time employees and seasonal part-time employees. The part-time workers are weighted according to hours worked, with the standard part-time hours taken as 21.1 hours per week and the standard working week taken as 37.5 hours per week. The seasonal employees are weighted according to the number of months worked.

Part-time Employees:

Employees x (21.1/37.5).

Seasonal Full-time Employees:

Employees x (number of months worked/12).

Seasonal Part-time Employees:

(Employees x (21.1/37.5)) x (number of months worked/12).

- **Process Type.** This relates to the type of processing undertaken - Primary, Mixed, Secondary.
- **Primary** – cutting/filleting, picking/trimming/peeling, washing, chilling, heading and gutting.
- **Secondary** – freezing, marinating, breading/battering, canning, vacuum/controlled packaging, smoking/brining, cooking, making ready meals, deboning, salting.
- **Mixed** – companies engaged in primary and secondary processes as defined above.

Fish Type

- **Demersal** – cod, haddock, plaice, whiting, pollack, saithe (coley), hake, monk/anglerfish, soles, lemons, megrim, witches, brill, turbot, halibut, dogfish, sharks, skates, rays, John Dory, bass, ling, catfish, redfish etc.
- **Pelagic** – herring, mackerel, pilchard, sprat, horse mackerel, whitebait, tuna etc.
- **Shellfish** – Molluscs, Crustacea, Cephalopods.
- **Molluscs** – scallops, oysters, cockles, mussels, winkles etc.
- **Crustacea** – nephrops (scampi, langoustines) lobsters, crabs, crawfish, shrimps etc.
- **Cephalopods** – octopus, squid, cuttlefish etc.

Bibliography

Curtis, H. C. *2000 Survey of the UK Sea Fish Processing Industry*. SFIA. 2000.

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Questionnaire



UK Fish Processing Costs & Earnings Survey, 2001

This questionnaire for the Fish Processing Costs & Earnings Survey will enable us to categorise companies in the final report.

Please **DO NOT** write the name of your company on the questionnaire.

If your company has more than one processing plant please give accounts for your company as a whole. If you wish to submit separate accounts for an individual site, please call us.

- Some of the information requested here is sensitive. Your data will be kept confidential and your company will not be identified in the published report.
- The information you supply will be used to produce a costs & earnings report for the UK, which will include regional & sectoral analyses. An individual benchmarking report will be produced for each company based on the accounts submitted. In addition, tailored regional analyses may be produced for organisations such as Scottish Enterprise Grampian and Yorkshire Forward, for the benefit of the industry.
- Please complete and return this questionnaire in the prepaid envelope by 12 July 2001 to:
Hazel Curtis, Seafish, 16 Logie Mill, Logie Green Road, Edinburgh, EH7 4HG
- If you have any questions, please contact Hazel Curtis at the above address, or by telephone on 0131 558 3331.

I wish to receive a free copy of the Processors' Costs & Earnings Report Please tick if appropriate

I wish to receive a free, individualised benchmarking report Please tick if appropriate

Seafish has a statutory obligation under the terms of the Fisheries Act 1961 to keep your accounts and the contents of your completed form confidential.

It is vital that you return your accounts with this questionnaire. Without them we will not be able to produce your individual benchmarking report.

7. What were your fish product sales for the period of your accounts?

Product fish type	Weight of product sold	Value of sales (£)	What are the main species processed?
Demersal			
Pelagic			
Crustacea			
Mollusca			
Cephalopoda			
Salmon			
Trout			
Other			
Total			

Demersal / white fish includes: cod, haddock, plaice, whiting, pollock, saithe (coley), hoki, monkfish/gleek, turbot, salmon, mackerel, brill, turbot, haddock, dogfish, sardine, skate, roach, John Dory, bass, ling, codling, rockfish, etc.

Pelagic includes: herring, mackerel, pilchard, sprat, horse mackerel, whiting, tuna, etc.

Mollusca includes: scallops, oysters, cockles, mussels, whelms, etc.

Crustacea includes: crabs, prawns (scampi, langoustines), lobster, crayfish, shrimps, etc.

Cephalopoda includes: octopus, squid, cuttlefish, etc.

8. Tell us about the fish products your company sold during the period of your accounts. Please complete the table below giving the proportion of your product sales by weight and value sold in each pack size.

E.g. A company could sell 1,000 tonnes of fish products, of which 600 tonnes (60%) are in pack sizes under 500g and 400 tonnes (40%) are sold in pack sizes of 3kg. However the price per kg may be different and would mean that the proportion by sales value is different to the proportion by volume.

Pack size	Proportion of volume sold by weight (%)	Proportion of fish product by sales value (%)
Under 500g (e.g. Retail)		
500g-2500g (e.g. Catering/food service)		
3kg - 4kg (e.g. Wholesale/retail counter)		
Over 4kg (e.g. Traded)		
Total	100%	100%

9. What percentage of the fish processed (by volume) during the period of your accounts was:

Processed by hand _____ Processed mechanically _____

9.a) Please give a brief description of the mechanical processes used in your business during the period of the accounts.

Thank you for your time.

Please return your accounts with the completed questionnaire

