

# **Scottish Sea Farms Limited**

## **Report and Financial Statements**

2 January 2022

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COMPANIES HOUSE

**Scottish Sea Farms Limited**

**Registered No: 958001**

**Directors**

Leif-Inge Nordhammer  
Gustave Witzoe  
Jim F Gallagher  
Helge Singlestad  
Henning Beltestad

**Secretary**

D Anderson

**Auditor**

Ernst & Young LLP  
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Glasgow  
G2 1DY

**Bankers**

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25 Walbrook  
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**Solicitors**

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**Registered Office**

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Octagon Point  
5 Cheapside  
London  
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## Strategic report

The directors present their strategic report for the period to 2 January 2022.

### Review of the business

The principal activity of the group continued to be the farming and processing of Scottish Atlantic salmon.

The group has achieved a satisfactory result for the period to 2 January 2022.

Group turnover was £198,923,000, an increase of £60,008,000 on financial year 2020.

Group operating profit was £20,559,000, a decrease of £3,955,000 on financial year 2020.

The company recovered well from the effects of Covid that did continue into 2021. The export markets opened back to near normal levels and demand for salmon globally stayed strong. As our results show we continued to trade successfully, however, there was higher than normal biological issues that affected our cost base and margins. This was, unusually, in all our farming regions, however, due to the continued hard work, diligence and focus of our staff we were able to return an acceptable operating result.

Our smolt input was a record year in terms of numbers to marine sites, a total of 11.1m were put to sea with our investment in the Barcaldine RAS facility now reaping benefits with strong, healthy fish being transferred to our sites at a good cost base.

In December 2021 Scottish Sea Farms Limited made the biggest investment in its history by purchasing 100% of the share capital in Grieg Seafood Hjatland UK Limited from Grieg Seafood ASA. Grieg Seafood Hjatland Limited owns 100% of the share capital of Grieg Seafood Shetland Limited and Isle of Skye Salmon Limited (dormant). This brings increased marine capacity, further processing and freshwater facilities and the chance to deliver stronger biological performances in the whole Shetland area. The company is extremely proud of this acquisition and welcome our new colleagues to the business.

Staff recruitment and development continue to be of paramount importance to the company. Over £500,000 was spent on training our staff in 2021, and this expenditure will continue in 2022. The company has welcomed over 200 new staff as part of the Grieg Seafood Hjatland Limited acquisition and we fully expect to share knowledge and experience to further develop the company.

We continue to invest heavily to further improve fish health, lower waste and increase efficiencies. In 2021 we spent £17m to maintain the health and wellbeing of our salmon and to maximise our fish performance. This included the acquisition of our second Thermolicer system at a cost of £2.6m.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

	<u>2021</u>	<u>2020</u>	
Profit margin	10%	16%	Profit before tax/turnover
Current ratio	2.53	0.91	Current assets: Current liabilities

Group shareholders' funds have increased by £65,601,000 to £151,908,000 (an increase of 76%). This large increase is due, in part, to the acquisition of Grieg Seafood Hjatland Ltd.

The company continued to support the communities in which we farm and operate through our Heart of the Community fund and in 2021 we contributed £160,000 to 55 different community projects, since 2011 we have paid £1.5m to support local communities.

## Strategic report (continued)

### Section 172 Statement

#### *Introduction*

The Directors, in line with their duties under section 172 ("s172") of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long-term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

#### *Board training and support on s172 duties*

Directors are supported in the discharge of their duties by the office of the Company Secretary and a management team. Through this governance structure certain day to day decision making is conducted by the management team of which the company secretary is part of. All directors receive guidance on their statutory duties including s172 and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018.

#### *Stakeholders*

The Board's responsibility to promote the long-term success of the company, relies on inputs from, and positive relationships with, a wide range of stakeholders.

#### *Employees*

The Company directors are actively involved in promoting employee engagement. During the year we have engaged with our employees on a regular basis through employee surveys conducted by Investors in People, roadshow of meeting directors and the management team and regular updates through Teams meetings and our internal Yammer pages. The Directors actively encourage communication and decision flows both vertically and horizontally in the value chain in our business supporting our culture of an SSF Family. We work to attract, develop and retain the best in the industry equipping our staff with the relevant skills to be successful.

#### *Customers*

The Company has continued to engage with key customers on an ongoing basis. The nature of our product and service relies on continual dialogue with our customers to ensure product satisfaction, continuity of product and customer checks in line with their standards. Customer visits are actively encouraged to showcase our high standards of animal welfare and employee competence and this year we have introduced remote audits and site visits using technology with good success.

#### *Suppliers*

As a Company we depend on the capability and performance of our suppliers to help deliver the product we need for our customers. It is key that these relationships enable our supply chain and our values of choosing local suppliers to support our local communities. Again, this year we have adapted with our supply base using technology and forward planning to ensure the continuity of the supplies we need to operate our business.

#### *Shareholders*

The Company has continued to engage with shareholders through general meetings and ongoing strategy and development meetings. We rely on the support of our shareholders to enable our longer-term plan and in turn the repayment of dividends.

#### *Other stakeholders*

The Company is committed to protecting the environment by focusing on good husbandry and housekeeping with the

## Strategic report (continued)

support of specialist teams to encourage innovative thinking. We work with local communities on putting something back through our Heart of Community fund via donations to local charities and clubs. We support our employees by being a Living Wage Employer and continually benchmark our remuneration packages. We work hard at using local suppliers to deliver our needs and build local relationships to support our employees with all aspect of their lives including access to Health & Wellbeing services. We actively consult with local people to gain valuable perspectives on the way in which our activities could impact. Through employee co-operation and efficient management procedures, the company undertakes to encourage sound environmental practices throughout the business.

### *Principal Decisions*

When making decisions, the Directors have regard to the longer-term impact of such decisions and any possible impact on all stakeholders. Examples of principal decisions made by the Company board during the fiscal year include: in the management of fish health we have a prevention over cure approach to the health of the salmon we care for and have committed to 3 new physical removal systems for dealing with sealice and introduced earlier interventions on a cage basis as opposed to whole farms.

In 2021 there was no dividend paid as the board wished to fully support the company in the acquisition of Grieg Seafood Hjatland UK Limited, and this was evident as the company paid a part of the purchase price from its working capital facilities.

On behalf of the board



J F Gallagher  
Director

28<sup>th</sup> October 2022

## Directors' report

The directors present their report and the group financial statements for the period ended 2 January 2022.

### Principal activity and review of the business

The principal activity of the group continued to be the farming and processing of Scottish Atlantic salmon.

### Results and dividends

The profit for the period, after taxation, amounts to £13,166,000 (2020: £17,874,000).

No dividends were paid in the period (2020: £nil).

### Directors

The directors at the date of signing these accounts, and through the full financial year are listed on page 2.

### Financial management objectives and policies

The company's principal financial instruments comprise cash, short and long term deposits and/or borrowings, the main purpose of which is to provide finance for its normal trading operations.

Interest is payable on borrowings at commercial rates of interest. The company's interest payable can therefore be affected by changes in interest rates. The company does not undertake active hedging of this risk.

Other financial assets and liabilities such as trade debtors and trade creditors arise directly from trading operations.

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights. They are recognised at their fair value at the date of acquisition.

### Going concern

The financial statements have been prepared on a going concern basis which assumes that the company and Group will continue in operational existence for the period to 31 December 2023 and meet its liabilities as they fall due.

The Group's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to credit and interest risk are described in the Strategic Report and the Directors' Report.

The Group made an operating profit for the period ended 2 January 2022 of £20.6m and at the balance sheet date had bank loans of £100m and £58.75m, and a RCF and overdraft totalling £8.5m. This is a result of the Group successfully refinancing the loans in June 2021 and then refinancing further in December 2021 to support the acquisition of Grieg Seafood Hjatland UK Limited and its subsidiaries.

The cashflow forecasts prepared for the new Group demonstrate that within the period from the date of approval of the financial statements to 31 December 2023 the Group can meet the repayments of the new financing agreements and remain compliant with financial covenants throughout. The financial forecasts are robust to sensitivity analysis and stress testing on price and harvest volumes.

## Directors' report (continued)

### SECR Reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Scottish Sea Farms Limited to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the 12-month period ending 31st December 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, gaseous fuels such as natural gas and business travel in company-owned and grey fleet vehicles. The table below details the SECR-regulated energy and GHG emission sources from the current and previous reporting periods.

		FY21	FY20	% change
<b>Energy (kWh)</b>				
	Gas oil	39,487,916	40,552,667	-2.6%
	Kerosene	1,571,476	70,236	+2,137.4%
	Diesel	2,604,881	2,182,597	+19.3%
	Petrol	951,420	895,357	+6.3%
	Electricity	16,261,647	14,747,597	+10.3%
	<b>Total energy</b>	<b>60,877,340</b>	<b>58,448,454</b>	<b>+4.2%</b>
<b>Emissions (tCO<sub>2</sub>e)</b>				
Scope 1	Gas oil	10,797.8	10,410.7	+3.7%
	Kerosene	387.8	17.3	+2,141.6%
	Diesel	617.0	525.1	+17.5%
	Petrol	218.6	205.2	+6.5%
Scope 2 (LBM)	Electricity	3,452.7	3,438.3	+0.4%
Scope 2 (MBM)*	Electricity	2,748.6	2,628.8	+4.6%
	<b>Total SECR emissions</b>	<b>15,473.9</b>	<b>14,596.6</b>	<b>+6.0%</b>
<b>Emission intensity ratio</b>				
	Intensity metric (FTE employee)	488	454	+7.5%
	<b>Emissions intensity (tCO<sub>2</sub>e / FTE employee)</b>	<b>31.71</b>	<b>32.15</b>	<b>-1.4%</b>

\*Included for comparison only

Scottish Sea Farms Limited is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures. As part of the Climate Change Agreement, the company actively monitors and reports energy and production data against pre-determined efficiency targets in exchange for a discount on Climate Change Levy.

The Barcaldine freshwater hatchery has recently been accredited with the Aquaculture Stewardship Council (ASC) Salmon Standard, demonstrating a commitment to minimising Scottish Sea Farms' impact on local ecosystems through a number of methods, from energy efficiency improvements through to the procurement of more sustainable feed stocks.

**Methodology** // Stationary combustion (kerosene, gas oil) and mobile combustion (diesel, petrol) disclosures have been calculated using billing spreadsheets and fuel card transaction reports provided by suppliers. FY20 kerosene

## Directors' report (continued)

consumption has been re-stated as additional data has become available – total FY20 emissions have increased 16.8 tCO<sub>2</sub>e (0.12%) in comparison to the original submission.

Electricity disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. A negligible amount of energy has been estimated based on the average electricity consumption of adjacent invoices, accounting for approximately 0.01% of energy consumed across the portfolio. All activity data have been converted into equivalent energy and GHG emissions using standard conversion factors as published by BEIS in 2021. Scope 2 emissions associated with electricity have been reported using both location-based (LBM) and market-based (MBM) methods. LBM emissions have been carried into the total – corresponding MBM emissions have been included for comparison only.

### Disabled employees

The group gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

### Employee involvement

The company continue to provide information via regular meetings with managers, and the company also send out regular newsletters, briefings and have an internal social network for business purposes. Employees are also encouraged to present their suggestions and views on the group's performance.

During the period, the company implemented an Employee Assistance Programme. An EAP is an employee benefit designed to assist any employee with personal, health or wellbeing issues they have and is a free confidential service provided by Scottish Sea Farms


### Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the groups auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Post Balance Sheet Events

In relation to the conflict in Ukraine, Scottish Sea Farms does not sell to the territories involved, namely Russia, Ukraine or Belarus. Like most companies, however, there has been some cost inflation on consumables and energy. This is not however expected to have a material impact on the group.

On behalf of the board



J F Gallagher  
Director

28<sup>th</sup> October 2022



## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. The directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards and law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH SEA FARMS LIMITED**

## **Opinion**

We have audited the financial statements of Scottish Sea Farms Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 2<sup>nd</sup> January 2022 which comprise group Profit and Loss Account, the group and parent company Balance Sheet, the group Statement of comprehensive income, the group and parent Statement of changes in equity and the related notes 1 to 29 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

in our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 2<sup>nd</sup> January 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31<sup>st</sup> December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH SEA FARMS LIMITED (continued)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH SEA FARMS LIMITED (continued)**

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, Companies Act 2006 and the relevant tax compliance regulations;
- We understood how Scottish Sea Farms Limited is complying with those frameworks by making enquiries of management including the directors. We corroborated our enquires through reading the board minutes, and we noted that there was no contradictory evidence;
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of stakeholders. Where this risk was considered higher, we performed audit procedures to address the fraud risk. These procedures included testing manual journals and testing revenue cut off, and were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations and enquiries of management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



*Nick Gomer (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Glasgow 28/10/2022*

## Group income statement

for the period ended 2 January 2022

	Notes	2021 £000	2020 £000
<b>Turnover</b>	2	198,923	138,915
Cost of sales		(164,805)	(106,401)
<b>Gross profit</b>		34,118	32,514
Distribution costs		(9,421)	(5,226)
Administrative expenses		(4,138)	(2,774)
<b>Group operating profit</b>	3	20,559	24,514
Net interest payable	6	(1,584)	(1,773)
<b>Profit on ordinary activities before taxation</b>		18,975	22,741
Tax on profit on ordinary activities	8(a)	(5,809)	(4,867)
<b>Profit for the financial period</b>		13,166	17,874

All the above relate to continuing operations.

## Group statement of comprehensive income

for the period ended 2 January 2022

	2021 £000	2020 £000
Profit for the financial period	13,166	17,874
Actuarial gain on defined benefit pension scheme, net of taxation	(1,576)	(1,475)
Restriction of defined benefit pension scheme surplus	1,576	1,324
<b>Total other comprehensive loss</b>	-	(151)
<b>Total comprehensive income for the period</b>	<b>13,166</b>	<b>17,723</b>

## Company statement of comprehensive income

for the period ended 2 January 2022

	2021 £000	2020 £000
Profit for the financial period	12,520	17,874
Actuarial gain/ (loss) on defined benefit pension scheme, net of taxation	(1,576)	(1,475)
Restriction of defined benefit pension scheme surplus	1,576	1,324
<b>Total other comprehensive loss</b>	-	(151)
<b>Total comprehensive income for the period</b>	<b>12,520</b>	<b>17,723</b>

## Statement of changes in equity

for the period ended 2 January 2022

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
<i>Group</i>				
At 29 December 2019	21,400	1,600	45,584	68,584
Profit for the period	-	-	17,874	17,874
Other comprehensive loss	-	-	(151)	(151)
Total comprehensive income for the period	21,400	1,600	63,307	86,307
At 3 January 2021	21,400	1,600	63,307	86,307
Profit for the period	-	-	13,166	13,166
Reserves adjustment – deferred tax on acquisition	-	-	2,435	2,435
Total comprehensive income for the period	21,400	1,600	78,908	101,908
Share issue during year	50,000	-	-	50,000
At 2 January 2022	71,400	1,600	78,908	151,908

No equity dividend was paid in the period (2020 – nil)

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
<i>Company</i>				
At 29 December 2019	21,400	1,600	17,975	40,975
Profit for the period	-	-	17,874	17,874
Other comprehensive loss	-	-	(151)	(151)
Total comprehensive income for the period	21,400	1,600	35,698	58,698
At 3 January 2021	21,400	1,600	35,698	58,698
Profit for the period	-	-	12,520	12,520
Total comprehensive income for the period	21,400	1,600	48,218	71,218
Share issue during year	50,000	-	-	50,000
At 2 January 2022	71,400	1,600	48,218	121,218

No equity dividend was paid in the period (2020 – nil)

## Group statement of financial position

at 2 January 2022

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	10	123,069	3,550
Tangible assets	11	121,170	102,724
		<u>244,239</u>	<u>106,274</u>
<b>Current assets</b>			
Stocks	14	124,488	95,995
Debtors	15	36,652	15,165
		<u>161,140</u>	<u>111,160</u>
<b>Creditors:</b> amounts falling due within one year	16	(63,812)	(118,785)
<b>Net current assets/ (liabilities)</b>		97,328	(7,625)
<b>Total assets less current liabilities</b>		341,567	98,649
<b>Creditors:</b> amounts falling due after more than one year	17	(168,195)	(6,287)
<b>Accruals and deferred income</b>	19	(1,876)	(1,084)
<b>Provisions for liabilities and charges</b>	8(d)	(19,588)	(4,971)
<b>Net assets</b>		151,908	86,307
<b>Capital and reserves</b>			
Called up equity share capital	21	71,400	21,400
Share premium account	22	1,600	1,600
Profit and loss account		78,908	63,307
<b>Equity shareholders' funds</b>		151,908	86,307

The financial statements were approved by the board of directors and signed on its behalf by:



J F Gallagher  
Director

28<sup>th</sup> October 2022

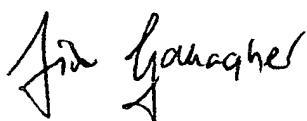


## Company statement of financial position

At 2 January 2022

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	10	1,305	2,296
Tangible assets	11	96,665	101,778
Investments	12	179,063	6,500
		<u>277,033</u>	<u>110,574</u>
<b>Current assets</b>			
Stocks	14	83,922	95,995
Debtors	15	27,743	15,165
		<u>111,665</u>	<u>111,160</u>
<b>Creditors: amounts falling due within one year</b>	16	(91,480)	(150,694)
<b>Net current assets/ (liabilities)</b>		<u>20,185</u>	<u>(39,534)</u>
<b>Total assets less current liabilities</b>		<u>297,218</u>	<u>71,040</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(167,628)	(6,287)
<b>Accruals and deferred income</b>	19	(952)	(1,084)
<b>Provisions for liabilities and charges</b>	8(d)	(7,420)	(4,971)
<b>Net assets</b>		<u>121,218</u>	<u>58,698</u>
<b>Capital and reserves</b>			
Called up equity share capital	21	71,400	21,400
Share premium account	22	1,600	1,600
Profit and loss account		48,218	35,968
<b>Equity shareholders' funds</b>		<u>121,218</u>	<u>58,698</u>

The financial statements were approved by the board of directors and signed on its behalf by:



J F Gallagher  
Director

28<sup>th</sup> October 2022

## Notes to the financial statements

at 2 January 2022

### 1. Accounting policies

#### *Statement of compliance*

Scottish Sea Farms Ltd is a limited liability company incorporated in England. The registered office is c/o Shepherd and Wedderburn, Octagon Point, 5 Cheapside, London, EC2V 6AA. The Groups financial statements have been prepared in compliance with FRS102 and it applies to the financial statements of the Group for the period ended 2 January 2022.

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £000.

#### *Going concern*

The financial statements have been prepared on a going concern basis which assumes that the company and Group will continue in operational existence for the period to 31 December 2023 and meet its liabilities as they fall due.

The Group's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to credit and interest risk are described in the Strategic Report and the Directors' Report.

The Group made an operating profit for the period ended 2 January 2022 of £20.6m and at the balance sheet date had bank loans of £100m and £58.75m, and a RCF and overdraft totalling £8.5m. This is a result of the Group successfully refinancing the loans in June 2021 and then refinancing further in December 2021 to support the acquisition of Grieg Seafood Hjatland UK Limited and its subsidiaries.

The cashflow forecasts prepared for the new Group demonstrate that within the period from the date of approval of the financial statements to 31 December 2023 the Group can meet the repayments of the new financing agreements and remain compliant with financial covenants throughout. The financial forecasts are robust to sensitivity analysis and stress testing on price and harvest volumes.

#### *Basis of consolidation*

The group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 2 January 2022. No income statement is presented for the company as permitted by section 408 of the Companies Act 2006.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land and houses. Depreciation is charged to the asset while in use in line with the useful lives detailed below

Freehold buildings	-	30 years
Leasehold property	-	10 years or over the period of the lease if shorter
Machinery and equipment	-	4 - 30 years
Motor vehicles	-	3 - 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Goodwill and other intangible assets*

Goodwill is the difference between the amount paid on the acquisition of a business's assets and trade and the fair value of its separable net assets. It has been capitalised and is being written off over its expected economic life of 15 years commencing in the year of acquisition. This goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The Group is required to obtain a license for each fish farm owned and operated. These licenses are,

## Notes to the financial statements

at 2 January 2022

### 1. Accounting policies (continued)

on average, renewed after 25 years for little cost, and so are regarded as having an indefinite useful life. The licenses are valued based on the expected cashflows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices. However, under FRS102 it will be amortised over the average remaining consent life of an average of 15 years.

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value. In the case of ongrowing fish, costs include direct labour, feed and direct overheads attributable to fish production.

#### **Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

#### **Revenue recognition**

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

#### **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. The company manages credit risk by conducting credit checks on its customers and arranges credit terms accordingly.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income in the period to which they relate.

#### **Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

## Notes to the financial statements

at 2 January 2022

### 1. Accounting policies (continued)

#### *Pensions*

The group operates both a defined benefit and a defined contribution pension scheme. The assets of the schemes are held separately from those of the group. Defined benefit pension scheme assets are measured using market value.

Associated pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

Any increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period, is charged to the operating profit. The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

The net interest is recognised in the income statement as other finance revenue or cost. Actuarial gains and losses are recognised in the statement of total comprehensive income.

A surplus will only be recognised if there is agreement from the Trustees of the Defined Benefit Scheme at the Balance Sheet date and that the company will obtain the benefit from either a refund or reduction in future contributions.

The company also operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All foreign currency exchange differences are dealt with through the income statement.

#### *Cash flow statement*

The company has taken advantage of the exemption conferred by FRS 102 with the requirements of section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).

#### *Derivative instruments*

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The company does not undertake any hedge accounting transactions.

### **Judgements and key sources of estimation uncertainty**

#### **Stock**

Stocks are valued at the lower of cost and net realisable value. In the case of on-growing fish, costs include direct labour, feed and direct overheads attributable to fish production. Judgement is required by management to ascertain the appropriate categories and proportion of overheads and other expenses that are directly attributable to the fish production.

There is a further element of estimation in regards to the stocks being held at the lower of cost and net realisable value. There are a series of assumptions made when estimating the net realisable value including the size, number, and biomass of the fish. The accumulated cost of the fish per kilogram can deviate based on the harvest volume. Management utilises several techniques including weighing samples and camera technology to ensure the volume is accurate.

## Notes to the financial statements

at 2 January 2022

### 1. Accounting policies (continued)

#### Licenses

The Group is required to obtain a license for each fish farm owned and operated. These licences, on average, are renewed after 25 years for little cost, and so are regarded as having an indefinite useful life. The licenses are valued based on the expected cashflows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices. However, under FRS102 it will be amortised over the average remaining consent life of an average of 15 years.

### 2. Turnover

Turnover comprises the invoice value of goods and services supplied by the group exclusive of VAT and intra-group transactions.

Turnover is attributable to one continuing activity; the farming and processing of salmon.

No further analysis of turnover has been disclosed, as, in the opinion of the directors, any further analysis would be seriously prejudicial to the interests of the group.

### 3. Group operating profit

This is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of owned assets	11,482	8,929
Depreciation of assets held under finance leases and hire purchase contracts	879	1,534
	12,361	10,463
Auditor remuneration		
- audit services	70	49
- non audit services:		
Taxation - compliance	36	26
Pension	10	7
Taxation - advisory	35	65
Advisory - other	124	-
Hire of plant and equipment	21,608	13,840
Amortisation of goodwill and intangible assets	992	968
Release of deferred government grants	(205)	(177)
Exchange loss	398	230
Gain on sale of fixed assets	(144)	(36)
	<u>          </u>	<u>          </u>

### 4. Directors' remuneration

	2021 £000	2020 £000
Emoluments	<u>566</u>	<u>564</u>

The emoluments of the highest paid director for the period ended 2 January 2022 were £566,000 (2020 - £564,000) and pension contributions were £nil (2020 - nil). No directors were members of the Defined Benefit Pension Scheme.

## Notes to the financial statements

at 2 January 2022

### 5. Staff costs

	2021	2020
	£000	£000
Wages and salaries	19,318	17,316
Social security costs	1,986	1,872
Other pension costs	518	469
	<u>21,822</u>	<u>19,657</u>

The average number of persons employed by the group, including directors, was made up as follows:

	2021	2020
	No.	No.
Production	441	411
Administration	47	43
	<u>488</u>	<u>454</u>

### 6. Net interest payable

	2021	2020
	£000	£000
Bank loan interest	1,059	1,256
Bank overdraft interest	358	370
Finance charges payable under finance leases and hire purchase contracts	169	180
	<u>1,586</u>	<u>1,806</u>
Less: interest received	(2)	(33)
	<u>1,584</u>	<u>1,773</u>

### 7. Other finance income

	2021	2020
	£000	£000
Interest on pension scheme liabilities	(291)	(370)
Expected return on pension scheme assets	291	370
	<u>-</u>	<u>-</u>

## Notes to the financial statements

at 2 January 2022

### 6. Taxation

#### (a) Tax on profit on ordinary activities

##### Group

The tax charge is made up as follows:

	Note	2021 £000	2020 £000
UK corporation tax:			
UK corporation tax on profit for period		2,250	3,990
Tax (over)/ under provided in previous years		959	331
		<u>3,209</u>	<u>4,321</u>
Deferred tax:			
Originating and reversal of timing differences		749	46
Adjustment in respect of previous periods		70	(18)
Effect of changes in tax rates		1,781	518
Total tax charge	8(b)	<u>5,809</u>	<u>4,867</u>
Other comprehensive income items			
Current tax		-	(36)

#### (b) Factors affecting the total tax charge

##### Group

Tax on profits is at the standard rate of corporation tax in the UK of 19% (2020 – 19%). The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Note	2021 £000	2020 £000
Profit on ordinary activities before tax		18,975	22,741
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 – 19%)		<u>3,605</u>	<u>4,317</u>
Effect of:			
Disallowed expenses and non-taxable income		733	295
Income not taxable		(1,339)	(576)
Gains/ rollover relief etc		-	-
Adjustment from previous periods		1,029	313
Tax rate changes		1,781	518
	8(a)	<u>5,809</u>	<u>4,867</u>

## Notes to the financial statements

at 2 January 2022

### 8. Taxation (continued)

#### (c) Factors that may affect future tax charges

The UK corporation tax rate remained at 19% for the years starting 1 April 2021 in the 2021 budget. The UK government confirmed on 14<sup>th</sup> October 2022 that the planned Corporation Tax increase to 25% from April 2023 will go ahead.

#### (d) Deferred tax

The deferred tax liability included in the group and company statement of financial position is as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed asset timing differences	10,664	5,030	7,640	5,030
Other timing differences	334	(59)	(220)	(59)
Losses	(11,537)	-	-	-
Fair value adjustments on acquisition	20,127	-	-	-
	<b>19,588</b>	<b>4,971</b>	<b>7,420</b>	<b>4,971</b>
			<i>Group</i>	<i>Company</i>
			<i>£000</i>	<i>£000</i>
At 3 January 2021			4,971	4,971
Adjustment in respect of prior years			70	70
Deferred tax charge to income statement for the period			2,530	2,379
Movement arising from the acquisition or disposal of business			(1,741)	-
Fair value adjustments to goodwill			13,758	-
At 2 January 2022			<b>19,588</b>	<b>7,420</b>

Fair value adjustments to goodwill resulted from the alignment of the acquired fixed assets and stocks to the valuation and amortisation to Scottish Sea Farms policies.

All the deferred tax balances above are stated at 25% (2020 – 17%).

### 9. Profit attributable to members of the parent company

The company has not presented its own profit and loss account for the period ended 2 January 2022. Of the group profit for the financial period, a profit attributable to the members of £12,520,000 (2020 – £17,874,000) has been dealt with in the financial statements of the company.



## Notes to the financial statements

at 2 January 2022

### 10. Intangible fixed assets

<i>Group</i>	<i>Goodwill £000</i>	<i>Sites £000</i>	<i>Total £000</i>
Cost:			
At 3 January 2021	9,656	2,525	12,181
Additions in period	18,111	102,400	120,511
	27,767	104,925	132,692
Amortisation			
At 3 January 2021	7,378	1,253	8,631
Provided in period	879	113	992
At 2 January 2022	8,257	1,366	9,623
Net book value:			
At 2 January 2022	19,510	103,559	123,069
At 3 January 2021	2,278	1,272	3,550
<i>Company</i>	<i>Goodwill £000</i>	<i>Sites £000</i>	<i>Total £000</i>
Cost:			
At 3 Jan 21 and 2 January 2022	8,064	2,320	10,384
Amortisation			
At 3 January 2021	6,946	1,142	8,088
Provided in period	878	113	991
At 2 January 2022	7,824	1,255	9,079
Net book value:			
At 2 January 2022	240	1,065	1,305
At 3 January 2021	1,118	1,178	2,296

Intangible assets are being amortised in equal annual instalments over their estimated economic life of 15 years. Site leases are issued over 25 years and are written down over this period.

## Notes to the financial statements

at 2 January 2022

### 11. Tangible fixed assets

<i>Group</i>	<i>Freehold land and buildings £000</i>	<i>Buildings and leasehold land £000</i>	<i>Machinery and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
Cost:						
At 3 January 2021	42,306	1,099	170,147	3,907	2,235	219,694
Additions	103	-	3,286	262	3,454	7,105
Reclassifications	-	-	1,095	-	(1,095)	-
Acquisition of subsidiary	7,638	-	16,272	-	-	23,910
Disposals	(208)	-	-	(181)	-	(389)
At 2 January 2022	49,839	1,099	190,800	3,988	4,594	250,320
Depreciation						
At 3 January 2021	5,626	1,099	106,921	3,324	-	116,970
Charge for period	1,201	-	10,761	399	-	12,361
Disposals	-	-	-	(181)	-	(181)
At 2 January 2022	6,827	1,099	117,682	3,542	-	129,150
Net book value:						
At 2 January 2022	43,012	-	73,118	446	4,594	121,170
At 3 January 2021	36,680	-	63,226	583	2,235	102,724

The net book value of machinery and equipment and motor vehicles includes £4,472,000 (2020 - £5,088,000) and £318,000 (2020 - £396,000) respectively relating to assets held under finance leases and hire purchase contracts. The cost of land included in the net book value of tangible fixed assets above is £5,501,000 (2020 - £5,428,000).

## Notes to the financial statements

at 2 January 2022

### 11. Tangible assets (continued)

<i>Company</i>	<i>Freehold land and buildings £000</i>	<i>Buildings and leasehold land £000</i>	<i>Machinery and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
<b>Cost:</b>						
At 3 January 2021	41,008	1,099	157,726	3,621	2,235	205,689
Additions	103	-	3,287	261	3,454	7,105
Reclassifications	-	-	1,095	-	(1,095)	-
Disposals	(208)	-	-	(181)	-	(389)
At 2 January 2022	40,903	1,099	162,108	3,701	4,594	212,405
<b>Depreciation</b>						
At 3 January 2021	5,413	1,099	94,362	3,037	-	103,911
Charge for period	1,200	-	10,410	400	-	12,010
Disposals	-	-	-	(181)	-	(181)
At 2 January 2022	6,613	1,099	104,772	3,256	-	115,740
<b>Net book value:</b>						
At 2 January 2022	<u>34,290</u>	<u>-</u>	<u>57,337</u>	<u>446</u>	<u>4,592</u>	<u>96,665</u>
At 3 January 2021	<u>35,595</u>	<u>-</u>	<u>63,364</u>	<u>584</u>	<u>2,235</u>	<u>101,778</u>

The net book value of machinery and equipment and motor vehicles includes £3,836,000 (2020 - £5,088,000) and £318,000 (2020 - £396,000) respectively relating to assets held under finance leases and hire purchase contracts. The cost of land included in the net book value of tangible fixed assets above is £5,428,000 (2020 - £5,428,000).

## Notes to the financial statements

at 2 January 2022

### 12. Investments

<i>Company</i>	<i>Subsidiary Undertakings 2021 £000</i>	<i>Subsidiary Undertakings 2020 £000</i>
<i>Cost:</i>		
Opening balance	6,500	6,500
Additions in year	172,563	-
Closing balance	179,063	6,500

	<i>Class of share</i>	<i>Country of Incorporation</i>	<i>Proportion held</i>
SSF Hjatland UK Limited	Ordinary £1	Scotland	100%
SSF Shetland Limited*	Ordinary £1	Scotland	100%

The above companies principal activities are the farming and sale of salmon

The companies listed below are dormant.

Orkney Sea Farms Ltd*	Ordinary £1	Scotland	100%
GSP Farms Limited	Ordinary £1	Scotland	100%
Scottish Sea Farms Sales Limited	Ordinary £1	Scotland	100%
Kerrera Fisheries Limited	Ordinary £1	Scotland	100%
MJM (Salmon) Ltd	Ordinary £1	Scotland	100%
Dury Salmon Ltd	Ordinary £1	Scotland	100%
Terregles Salmon Company Ltd*	Ordinary £1	Scotland	100%
Ettrick Trout Co Ltd	Ordinary £1	Scotland	100%
Isle of Skye Salmon Limited*	Ordinary £1	Scotland	100%

\* Held by a subsidiary undertaking

The registered office for all the above companies is:

Laurel House  
Laurelhill Business Park  
Stirling  
FK7 9JQ

## Notes to the financial statements

at 2 January 2022

### 13. Acquisition

On 15th December 2021 Scottish Sea Farms Limited acquired 100% of the share capital of Grieg Seafood Hjatland UK Limited (company number SC159110), and its subsidiaries Grieg Seafood Shetland Limited (company number SC093192) and Isle of Skye Salmon Limited (company number SC647034). In October 2021 UK Competition and Markets Authority (CMA) started investigating the proposed purchase and on 8th December the deal was cleared, allowing the full acquisition to be completed a week later. The full purchase consideration on 15<sup>th</sup> December was £172.6m, and this included 21 active farms, a processing plant and a freshwater facility.

The assets and liabilities recognised as a result of the acquisition were as follows:

Fixed Assets	23,910
Stocks	39,859
Debtors	12,801
Creditors	(12,504)
Cash	2
Site licences	102,400
Tax assets	12,401
Tax liabilities	<u>(24,417)</u>
 Fair Value of Assets Acquired	 154,452
Consideration paid	172,563
 Goodwill	 <u>18,111</u>

#### *Site licences valuation*

Management considered intangibles on acquisition. Licenses were the sole intangible identified so a fair value calculation was done on 14 of the acquired sites we expect to use. In doing so a multi-period excess earnings method (MEEM) was used. This uses the principle that the value of an intangible asset is estimated from the residual earnings after fair returns on all other assets employed have been deducted from the business' after-tax operating earnings.

These licences, on average, are renewed after 25 years for little cost, and so are regarded as having an indefinite useful life. The licenses are valued based on the expected cashflows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices. Calculations were done based on the assets having an indefinite useful life. However, under FRS102 it will be amortised over the average remaining consent life of an average of 15 years.

#### *Fair value adjustments*

Management considered other fair value adjustments that had to be made on acquisition. Useful lives of the fixed assets acquired were aligned to the group policy. Stock valuation policies were also made consistent with the group.

## Notes to the financial statements

at 2 January 2022

### 13. Acquisition (continued)

Year ended 2 January 2022

During the year the Group acquired 100% of the issued share capital of the following company and its subsidiary undertakings. These are listed below:

Name of company	Company number	Purchase consideration	Acquisition date
Grieg Seafood Hjalte UK Limited	SC159110	£172,563	15 <sup>th</sup> December 2021

#### Subsidiaries

Grieg Seafood Shetland Limited	SC093192
Isle of Skye Salmon Limited (dormant)	SC647034

For the year-end 2 January 2022 the company had incurred £2.8m of legal, advisory and finance costs in relation to the acquisition. These were charged to the operating result in the year.

### 14. Stocks

	2021 £000	Group 2020 £000	2021 £000	Company 2020 £000
Materials and feed	4,942	3,317	2,628	3,317
Fish	119,546	92,678	81,294	92,678
	124,488	95,995	83,922	95,995

The stocks recognised as an expense in the period were £146,211,000 (2020 - £92,941,000).

### 15. Debtors

	2021 £000	Group 2020 £000	2021 £000	Company 2020 £000
Trade debtors	17,200	9,449	8,186	9,449
Prepayments and accrued income	10,649	4,652	9,172	4,652
Amounts owed by ultimate parent undertakings	386	944	386	944
Amounts owed by subsidiary undertakings	-	-	5,846	-
Corporation tax recoverable	3,073	-	1,483	-
Other debtors	5,344	120	2,670	120
	36,652	15,165	27,743	15,165

## Notes to the financial statements

at 2 January 2022

### 16. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans (note 18)	13,333	61,714	13,333	61,714
Non secured loan	1,700	2,300	1,700	2,300
Bank overdraft	4,001	20,375	8,551	20,375
Trade creditors	26,862	15,308	18,498	15,308
Social security	1,042	876	854	876
Corporation tax payable	-	108	-	108
Accruals and deferred income	15,573	16,347	15,401	16,347
Amounts owed to ultimate parent undertakings	-	-	-	-
Obligations under finance leases and hire purchase contracts (note 20)	1,301	1,757	1,234	1,757
Amounts owed to subsidiary undertakings	-	-	31,909	31,909
	<u>63,812</u>	<u>118,785</u>	<u>91,480</u>	<u>150,694</u>

The bank loans and overdraft are secured by a fixed and floating charge and standard security over all the assets of the company and its subsidiaries. In addition, there is a first priority charge of the company's shares in its subsidiary undertakings.

### 17. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans (note 18)	145,417	-	145,417	-
Non secured loan	20,400	3,529	20,400	3,529
Obligations under finance leases and hire purchase contracts (note 20)	2,378	2,758	1,811	2,758
	<u>168,195</u>	<u>6,287</u>	<u>167,628</u>	<u>6,287</u>

## Notes to the financial statements

at 2 January 2022

### 18. Bank loans

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wholly repayable within five years:				
Bank loan	158,750	61,714	158,750	61,714
Less: included in creditors: amounts falling due within one year (note 16)	(13,333)	(61,714)	(13,333)	(61,714)
Amounts falling due after one year (note 17)	145,417	-	145,417	-
Amounts repayable:				
Within one year	13,333	61,714	13,333	61,714
In two to five years	145,417	-	145,417	-
	158,750	61,714	158,750	61,714

The £21.75m loan facility that commenced in October 2016 and the £52m loan that commenced in November 2019 were both fully repaid in July 2021. In the same month a £60m loan commenced repayable in 20 equal instalments of £1,250,000 with a final repayment of £35m due in 2026.

In 2 January 2022 a £100m loan commenced repayable in 20 equal instalments of £2,083,333 with a final repayment of £58.3m due in 2026.

### 19. Accruals and deferred income

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred government grants:				
At 3 January 2021	1,084	266	1,083	266
Received in period	73	998	74	998
Received due to acquisition	927	-	-	-
Released in period	(208)	(180)	(205)	(181)
At 2 January 2022	1,876	1,084	952	1,083



## Notes to the financial statements

at 2 January 2022

### 20. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts payable:				
Within one year	1,441	1,921	1,356	1,921
In two to five years	2,337	3,042	1,995	3,042
Over 5 years	289	-	-	-
	4,067	4,963	3,351	4,963
Less: finance charges allocated to future periods	(388)	(447)	(306)	(448)
	3,679	4,516	3,045	4,515

Finance leases and hire purchase contracts are analysed as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Current obligations (note 16)	1,301	1,757	1,234	1,757
Non-current obligations (note 17)	2,378	2,759	1,811	2,759
	3,679	4,516	3,045	4,515

### 21. Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>No</i>	<i>No</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	71,400,000	21,400,000	71,400	21,400

During the year the authorised share capital was increased by the creation of 50,00,000 ordinary shares of £1 each. These shares were allotted by the directors at £1 each to help fund the ongoing operations of the business.

# Notes to the financial statements

at 2 January 2022

## 22. Reserves

### *Share premium account*

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

## 23. Financial instruments

	2021	Group 2020	2021	Company 2020
	£000	£000	£000	£000
<i>Financial assets that are equity instruments measured at cost less impairment</i>	-	-	-	-
<i>Financial assets that are debt instruments measured at cost</i>				
- Other debtors	5,344	120	2,670	120
- Amounts owed by ultimate parent undertakings	386	944	386	944
<i>Financial liabilities measured at amortised cost</i>				
Finance leases and hire purchase contracts	3,679	4,515	3,679	4,515
Trade creditors	26,861	15,308	18,498	15,308
- Bank loans	158,750	61,714	158,750	61,714
- Non secured loans	1,700	5,829	1,700	5,829
- Amounts owed to subsidiary undertakings	-	-	31,909	31,909

## 24. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,466,000 (2020 - £1,317,000) for the group, company was £2,058,000 (2020 - £1,317,000)

## 25. Pensions and other post-retirement benefits

The Company operates a defined benefit scheme in the UK. The company took the decision to close the scheme to future accrual with effect from midnight on 31 December 2009. From 1 January 2010 members have been offered membership of the Company's Group Personal Pension Plan and no further defined benefits have accrued.

A valuation has been carried out by a qualified independent actuary based on the FRS 102 assumptions at 31 December 2021. The FRS102 valuation is based on projecting forward the results of the 31 December 2019 funding valuation, allowing for interest on the liabilities, the actual benefits paid out, an estimate of the effect of any changes in the actuarial assumptions and GMP equalisation. Scheme assets are stated at their unaudited bid-market value at 31 December.

## Notes to the financial statements

at 2 January 2022

### 25. Pensions and other post-retirement benefits (continued)

The assets and liabilities of the scheme at 31 December 2021 are:

*Scheme assets at fair value:*

	2021 £000	2020 £000
Corporate Bonds	7,923	8,397
Government Bonds	10,461	10,554
Liquidity funds	1,162	1,340
Cash	38	33
Fair value of scheme assets	19,584	20,324
Present value of scheme liabilities	(17,741)	(16,954)
Defined benefit pension scheme surplus	1,843	3,370
Effect of asset limitation	(1,843)	(3,370)
Net pension surplus on the balance sheet	-	-

The net surplus of £1,843,000 at 31 December 2021 (2020 - £3,370,000) has not been incorporated into the financial statements as Scottish Sea Farms Limited, as an employer, is not deemed to control or be able to benefit from the surplus, in accordance with FRS102.

The company made no deficit reduction contributions in 2021. All costs of administration are paid in addition by the company and are charged directly to the profit or loss as a business expense outside FRS102, so they are excluded from this report.

The movements in assets and liabilities in the period are as follows:

**Changes in the present value of the defined benefit obligations are analysed as follows:**

	2021 £000	2020 £000
Benefit obligation at beginning of the year	16,954	13,120
Interest cost	242	270
Experience losses	-	1,085
Benefits paid	(270)	(377)
Changes in assumptions	815	2,856
Benefit obligation at 31 December 2021	17,741	16,954

## Notes to the financial statements

at 2 January 2022

### 25. Pensions and other post-retirement benefits (continued)

Changes in the fair value of plan assets are analysed as follows:

	£000	£000
Fair value of scheme assets at beginning of the year	20,324	17,714
Expected return on scheme assets	291	370
Contributions by employer	-	188
Benefits paid	(270)	(377)
Actuarial gains	(761)	2,429
Fair value of scheme assets at 2 January 2022	19,584	20,324
Net amount recognised	nil	nil

The contributions made by the employer over the financial period have been nil (2020 - £118,000). All costs of administering the scheme are paid by the company and are charged directly to the profit and loss as a business expense.

	2021 £000	2020 £000
Current service cost	-	-
Interest income pension scheme assets (before asset limitation effect)	(291)	(370)
Interest income pension scheme assets (after asset limitation effect)	(242)	(270)
Interest on pension scheme liabilities	242	270
Net return (before asset limitation effect)	-	-
Net return (after asset limitation effect)	-	-

## Notes to the financial statements

at 2 January 2022

### 25. Pensions and other post-retirement benefits (continued)

Taken to the statement of comprehensive income:

	2021 £000	2020 £000
<b>Re-measurements (recognised in other comprehensive income (OCI))</b>		
Actual return less interest income on pension scheme assets	761	(2,429)
Experience gains and losses arising on the scheme liabilities	-	1,085
Changes in assumptions underlying the present value of the scheme liabilities	815	2,856
Actuarial gain recognised in OCI	(1,576)	(1,512)
Effect of asset limitation	1,576	1,512
Total amount recognised in OCI	-	-

Recognised in the group income statement

	2021 £000	2020 £000
Expected return on pension scheme assets	(291)	(370)
Interest on pension obligation	291	370
Net income	-	-

Main assumptions:

	2021	2020
Rate of increase in deferred pensions accrued pre 1 March 2002	3.72%	3.50%
Rate of increase in deferred pensions accrued post 1 March 2002	3.11%	2.69%
Rate of increase in pensions in deferment	2.95%	2.16%
Discount rate	1.78%	1.44%
Inflation assumption – RPI	3.25%	2.86%
Inflation assumption – CPI (pre 2030/post 2030)	2.25%/ 3.25%	1.86%/ 2.86%

An expected rate of return on asset assumption is not required under FRS102, where the interest income on assets will be calculated using the discount rate assumption.

The actual return on scheme assets during 2021 was a loss of £470,000, 2020 was £2,779,000.

#### Statutory pension increases or revaluations based on price inflation

The same post retirement mortality base table assumption has been adopted as was used for the results of the funding valuation at 31 December 2020 i.e. the S3PA tables but with a 34% uplift to the base qx rates on the expensing basis. The future improvements assumption has been updated to be in line with the CMI\_2020 projection model with 1.5% p.a. long-term rate of improvement, a smoothing parameter (s-kappa) of 7.5, default core initial improvements parameter of zero and no weight to 2020 data. These tables correspond to life expectancies from age 65 as follows:

## Notes to the financial statements

at 2 January 2022

### 25. Pensions and other post-retirement benefits (continued)

	Male	Female
Member currently aged 65	20.1	21.9
Member currently aged 45	21.7	23.7

The pre retirement mortality assumption is the same as that which was adopted for the most recent actuarial valuation, i.e. the A92 tables with a -2 year age rating.

In addition, an allowance has been made for members to choose to commute 25% of their pension entitlement for a tax-free cash lump sum at retirement using factors currently in force. A sample factor used is £17.5 at age 65 (2020: 25% with sample factor of £15.255 at age 65).

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2021 amounted to £43,000 (2020 - £44,000). The contributions paid into this scheme in the period were £511,000 (2020 - £469,000).

### 26. Other financial commitments

As at 2 January 2022 the group had future minimum rentals payable under non-cancellable operating leases as set out below:

	2021 £000	2020 £000
Within one year	12,488	3,789
Two to five years	9,037	3,340
Over 5 years	3,201	-
	24,726	7,129

### 27. Related parties

- i) During the period, the group bought and sold fish in the normal course of business from/to Hallvard Leroy ASA and Salmar Sales ASA, both subsidiaries of its ultimate parent undertakings. The price charged was the normal market price in the case of each individual purchase/sale. Included in the profit and loss account are the following amounts relating to transactions with Hallvard Leroy ASA and Salmar Sales ASA:

	2021 £000	2020 £000
Sales to associated company	16,188	9,694
Purchases from associated companies	475	177

## Notes to the financial statements

at 2 January 2022

### 27. Related parties (continued)

At the balance sheet date the amount due from Hallvard Leroy ASA was £386,000 (2020 - £944,000). The amount due from SSF Shetland was £200,000 (2020 - £221,000).

- ii) There have been other intra group transactions but these have not been disclosed due to the exemption contained in Financial Reporting Standard 102.

### 28. Parent undertakings and controlling parties

In the opinion of the directors, the company's immediate parent undertaking is Norskott Havbruk AS, incorporated in Norway. It will include the company in its group financial statements, copies of which will be available from its registered office: Bontelabo 2, 5020 Bergen, Norway.

In the opinion of the directors, the company's ultimate parent undertakings and controlling parties are Leroy Seafood Group ASA and Salmar ASA, both companies incorporated in Norway. Copies of their group financial statements, which include the company, are available from PO Box 7600, N-5020 Bergen, Norway, and N-216 Kverva, Norway, respectively.

### 29. Post balance sheet events

In relation to the conflict in Ukraine, Scottish Sea Farms does not sell to the territories involved, namely Russia, Ukraine or Belarus. Like most companies, however, there has been some cost inflation on consumables and energy. This is not however expected to have a material impact on the group.