Scottish Sea Farms Limited

Report and Financial Statements

3 January 2021

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

Secretary
D Anderson

Auditor
Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

Bankers
DNB Bank ASA
London Branch
8th Floor,
The Walbrook Building
25 Walbrook
London
EC4N 8AF

Solicitors
Shepherd and Wedderburn
1 West Regent Street
Glasgow
G2 1RW

Registered Office
Condor House
10 Saint Paul's Churchyard
London
EC4M 8AL

Strategic report

The directors present their strategic report for the period to 3 January 2021.

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 3 January 2021.

Group turnover was £138,915,000, a decrease of £22,592,000 on 2019.

Group operating profit was £24,514,000, a decrease of £932,000 on 2019.

It would be easy to let coronavirus define our results in 2020 but for the business 2020 stands out for altogether more positive reasons. Our company adapted well to the challenges of Covid-19 with each and every one of our staff adapting to new routines and behaviours. Our key workers in farming, both in freshwater and marine as well as processing carefully looked after our fish which helped support and maintain a steady, secure supply of premium quality Scottish farmed salmon to our customers globally.

As our results show we continued to trade successfully, with a really strong biological year ending with a survival rate across our 42 farms of 91.5%.

We also had a record year in terms of smolt inputs of 9.9 million fish and at the year end we had a record closing biomass with an additional 11,000 tonnes of biomass and £34 million in stock value compared to December 2019, just as we had planned at the beginning of 2020. These fish will support the sale of upwards of 36,000 tonnes of fish in 2021 and enable us to meet the insatiable demand from our customers for our salmon in all markets.

Our new £57m RAS smolt hatchery at Barcaldine is now fully operational after 3 years of planning and development. In December 2020 we put the 10 millionth smolt to sea from this facility with an average weight of over 160 grams giving our salmon a transformational start to their lives in our marine farms. This will result in increased survival rates, less time at sea, less waste and a healthier environment for future generations of fish.

Staff recruitment and development continue to underpin our success. This year although training has been limited through the pandemic, we have continued to look at new ways of training and we introduced 10 online training courses. We have developed a new "SSF Aqua Academy" that looks at links between education and employment in role development and management skills. This also involves the creation of a Talent Academy as a further way to recruit, retain and develop our staff.

We have continued to use resources and make investments to improve fish welfare, reduce waste and increase efficiencies. In 2020 we invested close to £12 million in the tools and infrastructure to maintain the health and wellbeing of our salmon and to maximise our fish performance. These investments included:

- £1 million in the creation of 30 new roles across the company
- £1.9 million new vessel, the Fair Isle, to support the company's Northern Isles farms and free up existing service vessel, the Sally Anne, for the mainland region
- £2.3 million in a Hydrolicer and support vessel, the Helen Mary, to help ensure timely control of sea lice without the use of medicines
- £3.2 million new farm at Hunda, Orkney, including hybrid barge and two dedicated workboats.

Strategic report (continued)

These were in addition to a series of upgrades to existing farm infrastructure including feed barges, remote feeding systems, predator control netting and environmental monitoring, as well as applied research into the key areas of gill health and the effects of plankton.

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

	2020	2019	
Profit margin	16%	15%	Profit before tax/turnover
Current ratio	0.91	1.90	Current assets: Current liabilities

Group shareholders' funds have increased by £17,723,000 to £86,307,000 (an increase of 26%).

The company continued to support the communities in which we farm and operate through our Heart of the Community fund and in 2020 we contributed £68,000 to 61 different community projects, since 2011 we have paid £1.3m to support local communities.

COVID-19

COVID-19 virus continues to create uncertainty and has already had some impact on the demand from our customers, particularly those in the food services sector. We have seen strong retail growth in all markets as customer shopping and eating habits have changed to adapt to Covid-19 restrictions.

During the initial months of Covid uncertainty, we furloughed a small percentage of staff required to shield or provide full-time childcare. However, as markets began to re-open, we repaid all funding support received, opting to cover the full cost of salaries ourselves until it was practical for those furloughed to return.

The directors are pleased to report the Group has continued to trade profitably during the Covid-19 pandemic and if the coronavirus has highlighted one thing more than any other, it is that we have got really great people who care deeply about their roles, their colleagues, and the company at large. How demand will evolve going forward is unclear, but we are well placed to manage our activities.

The directors would like to take this opportunity to thank all our employees for their continued commitment, support, and contribution in the results we achieve.

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.

Strategic report (continued)

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 which is conducted on a regular basis.

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 through 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 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.

Strategic report (continued)

In 2020 there was no dividend paid as during this year we have grown our production volumes with an additional £34 million of working capital required through the year to support our increased harvest volumes to 36,000 tonnes in 2021.

On behalf of the board

J F Gallagher
Director

11 February 2021

Directors' report

The directors present their report and the group financial statements for the period ended 3 January 2021.

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 £17,874,000 (2019: £19,305,000).

No dividends were paid in the period (2019: £45,000,000).

Directors

The directors at the date of signing these accounts 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.

The company manages credit risk by conducting credit checks on its customers and arranges credit terms accordingly. The majority of our supply relationships are with a long established base.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. There is an uncertainty that the directors have had to consider in deciding to prepare the financial statements on the going concern basis.

The group's business activities, a review of the business, together with the factors likely to affect its future developments including the COVID-19 pandemic, 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 3 January 2021 of £24.5m and at the balance sheet date had bank loans of £61.7m, and a RCF and overdraft totalling £21m. In December 2019 we completed the £56.2m investment in our new RAS smolt hatchery and from this site we put a record 9.9 million smolts to sea in 2020 which required us to finance an additional £34m of working capital increasing our stock balances in the sea to December 2020 to support our increased harvest volumes in 2021.

We opened our new farm at Hunda in Orkney with an infrastructure investment alone of £3.2 million and we took delivery of two additional preventative sealice tools at a cost of £5m in 2020 to support our strategy of improving our biological performance giving us the capacity to be pro-active in managing fish health.

The directors have prepared a cash flow forecast covering the period to 31 December 2022 in which the key assumptions are biological performance, sales volumes, and market returns. In the light of the uncertainty caused by the COVID-19 virus the Group has modelled several scenarios. Having considered the scenarios, the directors are confident that the Group will be able to continue in operation within its current level of banking facilities. As detailed in note 17, bank loans of £61.7m are due for repayment in July 2021. The cash flow forecasts prepared by the Group indicate that the Group will continue to make the scheduled repayments to these loans as and when they fall due, but

Directors' report (continued)

will not generate sufficient cash to enable repayment in full of the outstanding loan at the due date in July 2021.

The Directors plan is to renew the bank borrowings on an ordinary basis in 2021 and we expect commercial banks to be competing for our business.

Having assessed the situation, the Directors are very confident, due to their historic and future trading results, the total enterprise value of the company as well as the company's long-term financing relationships and the relationship of their parent companies, that new financing facilities will be concluded to support the company's operational needs beyond July 2021. These facilities will be serviced from the ongoing trading results from the company's activities.

Accordingly, the Directors have prepared the financial statements on a going concern basis.

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 Limited for the period 1st January 2020 to 31st December 2020.

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 sites and transport where operational control is conducted = this includes electricity, gaseous fuels and business travel in company-owned or grey fleet vehicles.

The table below details the regulated SECR energy and GHG emission sources from the current reporting period. As this is the first year of SECR reporting, no comparison to previous years has been disclosed.

	1st January 2020 to 31st December 2020
Energy (kWh)	
Gas oil	**40,552,667**
Kerosene (burning oil)	**20,600**
Company vehicles	**3,077,954**
Electricity	**14,747,597**
Total energy (kWh)	**58,398,818**
Emissions (tCO_2e)	
Gas oil	**10,410.7**
Kerosene (burning oil)	**0.5**
Company vehicles	**730.3**
Electricity (location-based)	**3,428.3**
Electricity (market-based, in tCO2)	***2,628.8***
Total SECR emissions*	**14,579.8**
Intensity metric	
SECR emissions per FTE employee	**32.1**
*Scope 2 location-based methodology	

Scottish Sea Farms Limited is committed to reducing its environmental impact and contribution to climate change through increased energy management, awareness and improvements to operational procedures.

Directors' report (continued)

During the reporting period, the operation of smaller sites was transferred to a new land-based hatchery at Barcaldine, with plans to continue rationalisation of sites. At full capacity, the new hatchery will be significantly more energy efficient, requiring less freshwater and energy to maintain water temperatures when compared with a larger number of traditional hatcheries.

A new company policy has also been adopted to reduce the number of pick-up vehicles and procure more efficient, greener company vehicles such as plug-in hybrid electric and electric vehicles, as part of the company's contribution to the Scottish Government's climate goal to reach net-zero emissions by 2045.

Data Records & Methodology

Emissions from electricity use were calculated using metered kWh consumption taken from fiscal invoices. Where invoiced data was not available at the time of reporting, the average daily consumption from the invoiced data was used to estimate the consumption of the missing days. For bulk fuels such as gas oil, the total number of cylinder purchases was converted to litre quantities and then equivalent energy and GHG emissions using factors published by BEIS in 2020.

Electricity emissions are reported using both location and market-based factors; location-based emissions have been calculated using the average UK grid emissions factor published by BEIS, where market-based emissions have been calculated using supplier-specific fuel mix disclosures for 2019-20 in gCO_2/kWh. The market-based methodology for calculating purchased electricity does not account for other GHG emissions such as methane and nitrous oxide and has not been factored into the total emissions figure as a result.

SECR transport emissions have been calculated using direct fuel purchase data taken from fuel card transaction reports and delivery notes. Fuel expense claims for grey fleet business travel were deemed negligible, less than < 0.1% of energy and emissions, and have not been disclosed.

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

Directors' report (continued)

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.

On behalf of the board

J F Gallagher
Director

11 February 2021

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

Qualified Opinion

We have audited the financial statements of Scottish Sea Farms Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 3rd January 2021 which comprise the 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 27, 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 3rd January 2021 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 qualified opinion

The notes to the financial statements disclose the group has used facilities of £20,501,666 (which includes £17,000,000 from the revolving credit facility and the £3,501,666 drawn down against the overdraft) and bank loans totalling £61,713,542 at 3rd January 2021. As set out in note 1, the cashflow forecasts prepared by the group indicate that they will not have the ability to repay the loans when the balloon payment is due in July 2021. The Directors' plan is to renew the bank borrowing. Whilst the Directors are very confident that new financing facilities will be conducted to support the group's operational needs beyond July 2021, at the date of these financial statements they have not started the process of refinancing. In our opinion, the ability to refinance a loan is a material uncertainty which may cast significant doubt over the group's and parent company's ability to continue as a going concern. The financial statements do not appropriately describe this matter as required by International Standard on Auditing (UK) 570 (Revised September 2019) Going Concern (2019). In addition, the disclosures on going concern in the Directors' Report do not appropriately disclose this material uncertainty.

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 qualified opinion.

Conclusions relating to going concern – omission of disclosure of a material uncertainty

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. As described in the basis for qualified opinion section of our report, we have identified a material uncertainty which may cast significant doubt over the group's and parent company's ability to continue as a going concern that was not appropriately disclosed.

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.

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 there is 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

Except for the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, 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.

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 in the UK. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices
- We understood how Scottish Sea Farms 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 and parent company'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 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 noncompliance 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.

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

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.

Ent · Yg LLP

Nick Gomer (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
Date: 11 February 2021

Group income statement

for the period ended 3 January 2021

	Notes	*2020* *£000*	*2019* *£000*
Turnover	2	138,915	161,507
Cost of sales		(106,401)	(127,725)
Gross profit		32,514	33,782
Distribution costs		(5,226)	(6,209)
Administrative expenses		(2,774)	(2,127)
Group operating profit	3	24,514	25,446
Net interest payable	6	(1,773)	(1,564)
Profit on ordinary activities before taxation		22,741	23,882
Tax on profit on ordinary activities	8(a)	(4,867)	(4,577)
Profit for the financial period		17,874	19,305

All the above relate to continuing operations.

Group statement of comprehensive income

for the period ended 3 January 2021

	2020	*2019*
	£000	*£000*
Profit for the financial period	17,874	19,305
Actuarial gain on defined benefit pension scheme, net of taxation	(1,475)	282
Restriction of defined benefit pension scheme surplus	1,324	(889)
Total other comprehensive loss	(151)	(607)
Total comprehensive income for the period	17,723	18,698

Company statement of comprehensive income

for the period ended 3 January 2021

	2020	*2019*
	£000	*£000*
Profit for the financial period	17,874	19,305
Actuarial gain/ (loss) on defined benefit pension scheme, net of taxation	(1,475)	282
Restriction of defined benefit pension scheme surplus	1,324	(889)
Total other comprehensive loss	(151)	(607)
Total comprehensive income for the period	17,723	18,698

Statement of changes in equity

for the period ended 3 January 2021

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Group				
At 31 December 2018	21,400	1,600	71,886	94,886
Profit for the year	-	-	19,305	19,305
Other comprehensive loss	-	-	(607)	(607)
Total comprehensive income for the year	21,400	1,600	90,584	113,584
Equity dividends	-	-	(45,000)	(45,000)
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
Equity dividends	-	-	-	-
At 3 January 2021	21,400	1,600	63,307	86,307

No equity dividend was paid in the period (2019 – £45,000,000, £2.10 per share)

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Company				
At 31 December 2018	21,400	1,600	44,277	67,277
Profit for the period	-	-	19,305	19,305
Other comprehensive loss	-	-	(607)	(607)
Total comprehensive income for the year	21,400	1,600	62,975	85,975
Equity dividends	-	-	(45,000)	(45,000)
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
Equity dividends	-	-	-	-
At 3 January 2021	21,400	1,600	35,698	58,698

No equity dividend was paid in the period (2019 – £45,000,000, £2.10 per share)

Group statement of financial position

at 3 January 2021

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	10	3,550	4,518
Tangible assets	11	102,724	97,977
		106,274	102,495
Current assets			
Stocks	13	95,995	60,828
Debtors	14	15,165	18,923
		111,160	79,751
Creditors: amounts falling due within one year	15	(118,785)	(41,935)
Net current (liabilities)/ assets		(7,625)	37,816
Total assets less current liabilities		98,649	140,311
Creditors: amounts falling due after more than one year	16	(6,287)	(67,036)
Accruals and deferred income	18	(1,084)	(266)
Provisions for liabilities and charges	8(d)	(4,971)	(4,425)
Net assets		86,307	68,584
Capital and reserves			
Called up equity share capital	20	21,400	21,400
Share premium account	21	1,600	1,600
Profit and loss account		63,307	45,584
Equity shareholders' funds		86,307	68,584

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

Jim Gallagher

J F Gallagher
Director

11 February 2021

Company statement of financial position

at 3 January 2021

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	10	2,296	3,264
Tangible assets	11	101,778	97,031
Investments	12	6,500	6,500
		110,574	106,795
Current assets			
Stocks	13	95,995	60,828
Debtors	14	15,165	18,923
		111,160	79,751
Creditors: amounts falling due within one year	15	(150,694)	(73,844)
Net current (liabilities)/ assets		(39,534)	5,907
Total assets less current liabilities		71,040	112,702
Creditors: amounts falling due after more than one year	16	(6,287)	(67,036)
Accruals and deferred income	18	(1,084)	(266)
Provisions for liabilities and charges	8(d)	(4,971)	(4,425)
Net assets		58,698	40,975
Capital and reserves			
Called up equity share capital	20	21,400	21,400
Share premium account	21	1,600	1,600
Profit and loss account		35,968	17,975
Equity shareholders' funds		58,698	40,975

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

Jim Gallagher

J F Gallagher
Director
11 February 2021

Notes to the financial statements

at 3 January 2021

1. Accounting policies

Statement of compliance

Scottish Sea Farms Ltd is a limited liability company incorporated in England. The registered office is Condor House 10 Saint Paul's Churchyard, London, EC4M 8A. 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 3 January 2021.

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 will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. There is an uncertainty that the directors have had to consider in deciding to prepare the financial statements on the going concern basis.

The group's business activities, a review of the business, together with the factors likely to affect its future developments including the COVID-19 pandemic, 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 3 January 2021 of £24.5m and at the balance sheet date had bank loans of £61.7m, and a RCF and overdraft totalling £21m. In December 2019 we completed the £56.2m investment in our new RAS smolt hatchery and from this site we put a record 9.9 million smolts to sea in 2020 which required us to finance an additional £34m of working capital increasing our stock balances in the sea to December 2020 to support our increased harvest volumes in 2021.

We opened our new farm at Hunda in Orkney with an infrastructure investment alone of £3.2 million and we took delivery of two additional preventative sealice tools at a cost of £5m in 2020 to support our strategy of improving our biological performance giving us the capacity to be pro-active in managing fish health.

In the light of the uncertainty caused by the COVID-19 virus the Group has revisited its operational and financial forecasts and has modelled several scenarios. Having considered the scenarios, the directors are confident that the Group will be able to continue in operation within its current level of banking facilities. As detailed in note 17, bank loans are due for repayment in July 2021. The cash flow forecasts prepared by the Group indicate that the Group up to December 2022 will continue to make the repayments to these loans as and when they fall due but will not generate sufficient cash to enable repayment in full of the outstanding loan at the due date in July 2021.

The Directors plan is to renew the bank borrowings on an ordinary basis in 2021 and we expect commercial banks to be competing for our business.

Having assessed the situation, the Directors are very confident, due to their historic and future trading results, the total enterprise value of the company as well as the company's long-term financing relationships and the relationship of their parent companies, that new financing facilities will be concluded to support the company's operational needs beyond July 2021. These facilities will be serviced from the ongoing trading results from the company's activities.

Accordingly, we have prepared the financial statements on a going concern basis.

Basis of consolidation

The group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 3 January 2021. No income statement is presented for the company as permitted by section 408 of the Companies Act 2006.

Notes to the financial statements
at 3 January 2021

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.

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.

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.

Notes to the financial statements

at 3 January 2021

1. Accounting policies (continued)

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.

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.

Notes to the financial statements

at 3 January 2021

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):

	2020	*2019*
	£000	*£000*
Depreciation of owned assets	8,929	7,246
Depreciation of assets held under finance leases and hire purchase contracts	1,534	1,097
	10,463	8,343
Auditor remuneration		
- audit services	49	47
- non audit services:		
Taxation - compliance	26	26
Pension	7	7
Taxation - advisory	65	66
Hire of plant and equipment	13,840	8,586
Research and development	-	67
Amortisation of goodwill and intangible assets	968	871
Release of deferred government grants	(177)	(97)
Exchange loss	230	229
Gain on sale of fixed assets	(36)	(1,222)

4. Directors' remuneration

	2020	*2019*
	£000	*£000*
Emoluments	564	1,281

The emoluments of the highest paid director for the period ended 3 January 2021 were £554,000 (2019 - £1,036,000) and pension contributions were £nil (2019 - nil). No directors were members of the Defined Benefit Pension Scheme.

Notes to the financial statements

at 3 January 2021

5. Staff costs

	2020	*2019*
	£000	*£000*
Wages and salaries	17,316	16,693
Social security costs	1,872	1,687
Other pension costs	469	432
	19,657	18,812

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

	2020	2019
	No.	*No.*
Production	411	410
Administration	43	45
	454	455

6. Net interest payable

	2020	*2019*
	£000	*£000*
Bank loan interest	1,256	354
Bank overdraft interest	370	1,074
Finance charges payable under finance leases and hire purchase contracts	180	186
	1,806	1,614
Less: interest received	(33)	(50)
	1,773	1,564

7. Other finance income

	2020	*2019*
	£000	*£000*
Interest on pension scheme liabilities	(370)	(454)
Expected return on pension scheme assets	370	454
	-	-

Notes to the financial statements

at 3 January 2021

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax charge is made up as follows:	*Note*	*2020* *£000*	*2019* *£000*
UK corporation tax:			
UK corporation tax on profit for period		3,990	2,514
Tax (over)/ under provided in previous years		331	(1,758)
		4,321	756
Deferred tax:			
Originating and reversal of timing differences		46	1,556
Adjustment in respect of previous periods		(18)	2,428
Effect of changes in tax rates		518	(163)
Total tax charge	8(b)	4,867	4,577
Other comprehensive income items			
Current tax		(36)	143

(b) Factors affecting the total tax charge

Group

Tax on profits is at the standard rate of corporation tax in the UK of 19% (2019 – 19%). The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Note	*2020* *£000*	*2019* *£000*
Profit on ordinary activities before tax		22,741	23,882
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)		4,317	4,538
Effect of:			
Disallowed expenses and non-taxable income		295	220
Income not taxable		(576)	(920)
Gains/ rollover relief etc		-	232
Adjustment from previous periods		313	670
Tax rate changes		518	(163)
	8(a)	4,867	4,577

Notes to the financial statements

at 3 January 2021

8. Taxation (continued)

(c) Factors that may affect future tax charges

The UK corporation tax rate was set to reduce to 17% from April 2020 but subsequently amended to remain at 19% for the years starting 1 April 2020 and 1 April 2021 in the 2020 budget.

(d) Deferred tax

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

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Fixed asset timing differences	5,030	4,485	5,030	4,485
Other timing differences	(59)	(60)	(59)	(60)
	4,971	4,425	4,971	4,425

	Group	*Company*
	£000	*£000*
A t 29 December 2019	4,425	4,225
Adjustment in respect of prior years	(18)	(18)
Deferred tax charge to income statement for the period	564	564
At 3 January 2021	4,971	4,971

All the deferred tax balances above are stated at 17% (2019 – 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 3 January 2021. Of the group profit for the financial period, a profit attributable to the members of £17,874,000 (2019 – £19,305,000) has been dealt with in the financial statements of the company.

Notes to the financial statements

at 3 January 2021

10. Intangible fixed assets

Group

	Goodwill *£000*	*Sites* *£000*	*Total* *£000*
Cost:			
At 29th December 2019 and 3 January 2021	9,656	2,525	12,181
Amortisation			
At 29th December 2019	6,523	1,140	7,663
Provided in period	855	113	968
At 3 January 2021	7,378	1,253	8,631
Net book value:			
At 3 January 2021	2,278	1,272	3,550
At 29 December 2019	3,133	1,385	4,518

Company

	Goodwill *£000*	*Sites* *£000*	*Total* *£000*
Cost:			
At 29th December 2019 and 3 January 2021	8,064	2,320	10,384
Amortisation			
At 29th December 2019	6,091	1,029	7,120
Provided in period	855	113	968
At 3 January 2021	6,946	1,142	8,088
Net book value:			
At 3 January 2021	1,118	1,178	2,296
At 29th December 2019	1,973	1,291	3,264

Intangible assets are being amortised in equal annual instalments over its estimated economic life of 15 years.

Notes to the financial statements

at 3 January 2021

11. Tangible fixed assets

Group

	Freehold land and buildings £000	*Buildings and leasehold land £000*	*Machinery and equipment £000*	*Motor vehicles £000*	*Assets under construction £000*	*Total £000*
Cost:						
At 29 December 2019	42,203	1,099	153,218	3,793	4,253	204,566
Additions	103	-	13,654	203	1,257	15,217
Reclassifications	-	-	3,275	-	(3,275)	-
Disposals	-	-	-	(89)	-	(89)
At 3 January 2021	42,306	1,099	170,147	3,907	2,235	219,694
Depreciation						
At 29 December 2019	4,459	1,099	98,126	2,905	-	106,589
Charge for period	1,167	-	8,795	501	-	10,463
Disposals	-	-	-	(82)	-	(82)
At 3 January 2021	5,626	1,099	106,921	3,324	-	116,970
Net book value:						
At 3 January 2021	36,680	-	63,226	583	2,235	102,724
At 29 December 2019	37,744	-	55,092	888	4,253	97,977

The net book value of machinery and equipment and motor vehicles includes £5,088,000 (2019 - £4,064,000) and £396,000 (2019 - £577,000) 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 (2019 - £5,564,000).

Notes to the financial statements

at 3 January 2021

11. Tangible assets (continued)

Company

	Freehold land and buildings £000	*Buildings and leasehold land £000*	*Machinery and equipment £000*	*Motor vehicles £000*	*Assets under construction £000*	*Total £000*
Cost:						
At 29 December 2019	40,905	1,099	140,797	3,507	4,253	190,561
Additions	103	-	13,654	203	1,257	15,217
Reclassifications	-	-	3,275	-	(3,275)	-
Disposals	-	-	-	(89)	-	(89)
At 3 January 2021	41,008	1,099	157,726	3,621	2,235	205,689
Depreciation						
At 29 December 2019	4,246	1,099	85,567	2,618	-	93,530
Charge for period	1,167	-	8,795	501	-	10,463
Disposals	-	-	-	(82)	-	(82)
At 3 January 2021	5,413	1,099	94,362	3,037	-	103,911
Net book value:						
At 3 January 2021	35,595	-	63,364	584	2,235	101,778
At 29 December 2019	36,659	-	55,230	889	4,253	97,031

The net book value of machinery and equipment and motor vehicles includes £5,088,000 (2019 - £4,064,000) and £396,000 (2019 - £577,000) 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 (2019 - £5,564,000).

Notes to the financial statements

at 3 January 2021

12. Investments

Company

	Subsidiary Undertakings 2020 £000	Subsidiary Undertakings 2019 £000
Cost:		
At 1 January and 29 December	6,500	6,500

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%

* Held by a subsidiary undertaking

The registered office for all the above companies is:

Laurel House
Laurelhill Business Park
Stirling
FK7 9JQ

13. Stocks

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Materials and feed	3,317	2,002	3,317	2,002
Fish	92,678	58,826	92,678	58,826
	95,995	60,828	95,995	60,828

The stocks recognised as an expense in the period were £92,941,000 (2019 - £111,928,000).

Notes to the financial statements
at 3 January 2021

14. Debtors

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade debtors	9,449	7,250	9,449	7,250
Prepayments and accrued income	4,652	6,087	4,652	6,087
Amounts owed by ultimate parent undertakings	944	-	944	-
Corporation tax recoverable	-	4,239	-	4,239
Other debtors	120	1,347	120	1,347
	15,165	18,923	15,165	18,923

15. Creditors: amounts falling due within one year

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank loans (note 17)	61,714	6,145	61,714	6,145
Non secured loan	2,300	4,364	2,300	4,364
Bank overdraft	20,375	8,919	20,375	8,919
Trade creditors	15,308	11,485	15,308	11,485
Social security	876	729	876	729
Corporation tax payable	108	-	108	-
Accruals and deferred income	16,347	8,520	16,347	8,520
Amounts owed to ultimate parent undertakings	-	71	-	71
Obligations under finance leases and hire purchase contracts (note 19)	1,757	1,702	1,757	1,702
Amounts owed to subsidiary undertakings	-	-	31,909	31,909
	118,785	41,935	150,694	73,844

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.

Notes to the financial statements

at 3 January 2021

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

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Bank loans (note 17)	-	61,714	-	61,714
Non secured loan	3,529	3,342	3,529	3,342
Obligations under finance leases and hire purchase contracts (note 19)	2,758	1,980	2,758	1,980
	6,287	67,036	6,287	67,036

17. Bank loans

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Wholly repayable within five years:				
Bank loan	61,714	67,859	61,714	67,859
Less: included in creditors: amounts falling due within one year (note 15)	61,714	6,145	61,714	6,145
Amounts falling due after one year (note 16)	-	61,714	-	61,714
Amounts repayable:				
Within one year	61,714	6,145	61,714	6,145
In two to five years	-	61,714	-	61,714
	61,714	67,859	61,714	67,859

The initial £21.75m loan facility was repayable in twenty quarterly instalments of £453,000 commencing October 2016, with a final payment of £12.7 million due in July 2021.

A drawdown banking facility granted in 2018 and in November 2019 has crystallised into a loan during the period. The repayments consist of quarterly payments of £1,083,000 from February 2020 with a final payment of £46m due in July 2021.

18. Accruals and deferred income

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Deferred government grants:				
At 29 December 2019	266	166	266	166
Received in period	998	197	998	197
Released in period	(180)	(97)	(181)	(97)
At 3 January 2021	1,084	266	1,083	266

Notes to the financial statements

at 3 January 2021

19. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Amounts payable:				
Within one year	1,921	1,849	1,921	1,849
In two to five years	3,042	2,176	3,042	2,176
	4,963	4,025	4,963	4,025
Less: finance charges allocated to future periods	(447)	(343)	(448)	(343)
	4,516	3,682	4,515	3,682

Finance leases and hire purchase contracts are analysed as follows:

		Group		*Company*
	2020	*2019*	*2020*	*2019*
	£000	*£000*	*£000*	*£000*
Current obligations (note 15)	1,757	1,702	1,757	1,702
Non-current obligations (note 16)	2,759	1,980	2,759	1,980
	4,516	3,682	4,515	3,682

20. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2020	*2019*	*2020*	*2019*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

Notes to the financial statements
at 3 January 2021

21. Reserves

Share premium account

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

22. Financial instruments

		Group		Company
	2020	2019	2020	2019
	£000	£000	£000	£000
Financial assets that are equity instruments measured at cost less impairment	-	-	-	6,500
Financial assets that are debt instruments measured at cost				
- Other debtors	120	1,347	120	1,347
- Amounts owed by ultimate parent undertakings	944	-	944	-
Financial liabilities measured at amortised cost				
Finance leases and hire purchase contracts	4,515	3,682	4,515	3,682
Trade creditors	15,308	11,485	15,308	11,485
- Bank loans	61,714	67,859	61,714	67,859
- Non secured loans	5,829	7,706	5,829	7,706
- Amounts owed by ultimate parent undertakings	-	71	-	71
- Amounts owed to subsidiary undertakings	-	-	31,909	31,909

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,317,000 (2019 - £4,134,000) for the group and the company.

Notes to the financial statements

at 3 January 2021

24. Pensions and other post-retirement benefits

The company sponsors the Scottish Sea Farms Defined Benefit Pension Scheme. 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 3 January 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 3 January 2021.

The assets and liabilities of the scheme at 3 January 2021 are:

Scheme assets at fair value:

	2020	*2019*
	£000	*£000*
Corporate Bonds	8,397	6,883
Government Bonds	10,554	7,977
Liquidity funds	1,340	2,812
Cash	33	42
Fair value of scheme assets	20,324	17,714
Present value of scheme liabilities	(16,954)	(13,120)
Defined benefit pension scheme surplus	3,370	4,594
Effect of asset limitation	(3,370)	(4,594)
Net pension surplus on the balance sheet	-	-

The net surplus of £3,370,000 at 3 January 2021 (2019 - £4,594,000) 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 fair value of the assets of the scheme at 3 January 2021 relates wholly to corporate bonds, government bonds, liquidity funds, cash and other.

Notes to the financial statements
at 3 January 2021

24. Pension scheme (continued)

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:

	2020	*2019*
	£000	*£000*
Benefit obligation at beginning of the year	13,120	11,394
Interest cost	270	336
Experience losses	1,085	-
Benefits paid	(377)	(132)
Changes in assumptions	2,856	(1,522)
Benefit obligation at 3 January 2021	16,954	13,120

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

	£000	*£000*
Fair value of scheme assets at beginning of the year	17,714	14,981
Expected return on scheme assets	370	454
Contributions by employer	188	750
Benefits paid	(377)	(132)
Actuarial gains	2,429	1,661
Fair value of scheme assets at 3 January 2021	20,324	17,714
Net amount recognised	nil	nil

The contributions made by the employer over the financial period have been £188,000 (2019 - £750,000). In addition, all costs of administering the scheme are paid by the company and are charged directly to the profit and loss as a business expense.

Notes to the financial statements

at 3 January 2021

24. Pension scheme (continued)

	2020 £000	2019 £000
Current service cost	-	-
Interest income pension scheme assets (before asset limitation effect)	(370)	(454)
Interest income pension scheme assets (after asset limitation effect)	(270)	(336)
Interest on pension scheme liabilities	270	336
Net return (before asset limitation effect)	-	-
Net return (after asset limitation effect)	-	-

Taken to the statement of comprehensive income:

	2020 £000	2019 £000
Re-measurements (recognised in other comprehensive income (OCI))		
Actual return less interest income on pension scheme assets	(2,429)	(1,661)
Experience gains and losses arising on the scheme liabilities	1,085	-
Changes in assumptions underlying the present value of the scheme liabilities	2,856	1,522
Actuarial gain recognised in OCI	(1,512)	(139)
Effect of asset limitation	1,512	139
Total amount recognised in OCI	-	-

Recognised in the group income statement

	2020 £000	2019 £000
Expected return on pension scheme assets	(370)	(454)
Interest on pension obligation	370	454
Net income	-	-

Notes to the financial statements

at 3 January 2021

24. Pension scheme (continued)

Main assumptions:	*2020*	*2019*
Rate of increase in deferred pensions accrued pre 1 March 2002	3.50%	3.40%
Rate of increase in deferred pensions accrued post 1 March 2002	2.69%	2.60%
Rate of increase in pensions in deferment	2.16%	1.83%
Discount rate	1.449%	2.09%
Inflation assumption – RPI	2.86%	2.63%
Inflation assumption – CPI (pre 2030/post 2030)	1.86%/ 2.86%	1.83%/1.83%

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 2020 was a gain of £2,779,000, 2019 was £2,115,000.

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 2019 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_2019 projection model with 1.5% p.a. long-term rate of improvement, a smoothing parameter (s-kappa) of 7.5 and default core initial improvements parameter of zero. These tables correspond to life expectancies from age 65 as follows:

	Male	Female
Member currently aged 65	20.1	21.8
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 £15.255 at age 65 (2019: 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 3 January 2020 amounted to £44,000 (2019 – £36,000). The contributions paid into this scheme in the period were £469,000 (2019 - £432,000).

25. Other financial commitments

As at 3 January 2021 the group had future minimum rentals payable under non-cancellable operating leases as set out below:

	2020	*2019*
	£000	*£000*
Within one year	3,789	4,287
Two to five years	3,340	-
	7,129	4,287

Notes to the financial statements

at 3 January 2021

26. 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:

	2020	*2019*
	£000	*£000*
Sales to associated company	9,694	16,001
Purchases from associated companies	177	1,902

At the balance sheet date the amount due from Hallvard Leroy ASA was £944,000 (2019 - £28,000). The amount outstanding to Salmar ASA was nil (2019 - £99,000).

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

27. 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.