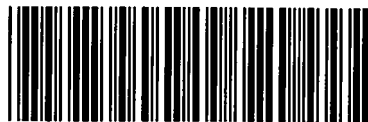


Scottish Sea Farms Limited
Report and Financial Statements
For the year ended
31 December 2022

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COMPANIES HOUSE

Corporate Information

Directors

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Gustave Witzoe
Jim F Gallagher
Helge Singlestad
Henning Beltestad

Secretary

Dermot Anderson

Auditor

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Strategic report

The directors present their strategic report for the period to 31 December 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 31 December 2022.

Group turnover from continuing operations was £263,378,000, an increase of £68,146,000 on 2021.

Group operating profit was £14,836,000, a decrease of £7,625,000 on 2021.

2022 was a year of integrating our recently acquired activities of Grieg Seafood in Shetland, our goal is to develop Shetland into a high performing farming region capable of rivalling any other on biology, quality, and cost efficiencies, not just in Scotland but globally. We have made real progress in onboarding new employees and integrating IT systems and blending the best of both cultures.

We have seen a strong demand for our salmon in all markets with high price returns that have helped us to offset the unprecedented inflationary cost increases in our business particularly with feed, utilities, and fuel. Biologically we have seen a year of two halves, the first half year performing normally but in late Q3 and into Q4 we have experienced biological challenges mainly from jellyfish and gill health resulting in the early harvest of small expensive fish as well as increased costs of mortality affecting our cost base and margins. We have invested in new freshwater treatment capacity as well as rolling out an enhanced environmental monitoring regime to help us pre-empt these challenges.

We continued with the roll out of modernising and consolidating our marine farms with investment in four farms completed in 2022, increasing our pen size and reducing the number of pens at each of these locations.

Our smolt input was a record year in terms of numbers to marine sites, a total of 13 million were put to sea from our existing site at Barcaldine and the newly acquired site at Girlsta in Shetland delivering strong, healthy fish with a good cost base.

Staff recruitment and development continue to be of paramount importance to the company. Over £750,000 was spent on training our staff in 2022, up from £490,000 in 2021, and this expenditure will continue in 2023. The company continues with our commitment to paying the Real Living Wage and this year we have gone above this commitment and implemented a new entry level salary of £10.40/hour. We also supported our staff with cost-of-living support payments to help offset the rising cost of household bills.

We continue to invest heavily to further improve fish health, lower waste and increase efficiencies. In 2022 we spent £19m to maintain the health and wellbeing of our salmon and to maximise our fish performance.

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

	<u>2022</u>	<u>2021</u>	
Profit margin	3%	11%	Profit before tax/turnover
Current ratio	1.98	2.19	Current assets: Current liabilities

Group shareholders' funds have increased by £7,603,000 to £160,885,000 (an increase of 5%).

The company continued to support the communities in which we farm and operate through our Heart of the Community fund and in 2022 we contributed £200,000 to this initiative. Since 2011 we have paid £1.7m 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. 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 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.

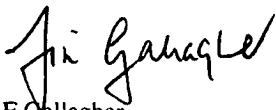
Strategic report (continued)

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 three new physical removal systems for dealing with sealice and introduced earlier interventions on a cage basis as opposed to whole farms.

In 2022 there was no dividend paid as the board wished to fully support the company with the integration of Grieg Seafood Hjatland UK Limited which was acquired on 15 December 2021.

On behalf of the board



J F Gallagher
Director

5 December 2023

Director's report

The directors present their report and the group financial statements for the period ended 31 December 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 £4,702,000 (2021: £14,579,000).

No dividends were paid in the period (2021: £nil).

Directors

The directors who held office during the year and on date of signature of the financial statements are listed on page 2.

Financial management objectives and policies

The company's principal financial instruments comprise cash, overdraft facility, trade and other receivables, trade and other payables 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 receivables and trade payables 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.

Judgements and key sources of estimation uncertainty

Biological assets

Biological assets are valued at fair value less cost to sell. Judgement is required by management to ascertain the appropriate size categories, weights and quality of biological assets in assessing the fair value of biological assets, alongside the cost to sell.

The fair value of the fish per kilogram can deviate based on the harvested volume, and if the volume is different from the estimate prior to harvesting. Management utilises several techniques including weighing samples and camera technology to ensure the volume is accurate and the fair value is reliable.

Licences

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.

Goodwill & Indefinite life intangibles

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate of 11% used for the DCF model as well as the expected future cash-inflows and the growth rate of 2.5% used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Director's report (continued)

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 2024 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.

The Group made an operating profit for the period ended 31 December 2022 of £14.9m (2021 - £22.5m) and at the balance sheet date had bank loans of £91.7m (2021 - £100m), and £53.8m (2021 - £58.8m), and a Rolling Credit Facility (RCF) and overdraft totalling £3.4m (2021 - £4.0m).

The cashflow forecasts prepared for the Group demonstrate that within the period from the date of approval of the financial statements to 31 December 2024 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.

SECR Reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Scottish Sea Farms to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR-regulated sources. Energy and GHG emissions have been independently quantified by Envantage for the 12-month period ending 31 December 2022.

Reported energy and GHG emissions data is compliant with SECR reporting requirements and has been calculated in accordance with the GHG Protocol. The Group has voluntarily reported all Scope 1, Scope 2 emissions from building and transport assets where operational control is held, as well as Scope 3 business travel in grey fleet vehicles.

		FY22	FY21	YoY %
Energy (kWh)				
Total energy		128,333,044	99,318,809	29.2%
Emissions (tCO₂e)				
Scope 1	Fuels	27,425.1	20,336.2	34.9%
Scope 1	Fugitive emissions	28.7	-	-
Scope 2 (LB)	Imported energy	3,914.8	4,426.7	-11.6%
Scope 3	Business travel	12.5	422.1	-97.0%
Total SECR emissions		31,381.1	25,184.9	24.6%
Emission intensity ratio				
tonnes harvested		35,900	47,053	-23.7%
tCO ₂ e / tonnes harvested		0.9	0.5	63.3%

Scottish Sea Farms is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures. We are actively appraising innovative solutions to increase energy efficiency through enhanced monitoring and targeting. Additionally, we are trialling the use of the sludge generated at our Barcaldine facility as a fuel source for our on-site biomass system. As part of our efforts to decarbonise, we introduced two hybrid workboats and a fully hybrid feed barge to our fleet, alongside our existing retrofitted hybrid feed barge.

To promote responsible driving practices, we have installed a fleet-wide driving performance management system and adopted a policy to prioritise the procurement of more efficient, lower-emission alternatives such as plug-in hybrid and electric vehicles. In support of this transition, we have installed electric vehicle charging points at a number of our facilities, which are accessible not only to our employees but also to the wider community. To limit emissions associated with business travel, we have implemented a company-wide policy to prioritise the use of video conferencing and vehicle sharing.

Methodology

Activity data have been converted into energy and GHG emissions using the 2022 UK Government GHG Conversion Factors for Company Reporting database utilising primary data sources where available. Due to limited primary data associated with several of the Group's fuel providers, fuel disclosures have been mostly estimated based on annual spend and an average unit rate to derive litre quantities. The coverage of primary data will be improved on in next year's statement.

Director's report (continued)

Fugitive refrigerant gas emissions in chiller systems have been quantified based on F-Gas service reports. Scope 3 emissions relating to business travel are based on mileage expense claims.

Electricity disclosures have been calculated using metered kWh consumption taken from supplier invoices where available. A negligible amount of energy has been estimated based on the average electricity consumption of adjacent invoices. Where no consumption data could be obtained, electricity consumption has instead been estimated based on industry benchmarks (CIBSE Guide F) and floor areas. GHG emissions associated with Scope 2 purchased electricity are reported using the location-based (LB) methodology. Equivalent emissions calculated using the market-based methodology amount to 5,583.9 tCO₂, which is based on a combination of 2021/22 supplier fuel mix disclosures and the UK residual fuel mix.

FY21 disclosures have been restated to reflect the acquisition of SSF Shetland Ltd. A full breakdown of energy and fuel emissions could not be disclosed due to limited data associated with this acquisition's previous SECR statement. FY21 business travel also includes air and rail journeys which cannot be split out from grey fleet and have not been accounted for in FY22.

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.

On behalf of the board



J F Gallagher
Director

5 December 2023

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("IFRSs"). 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 and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance.
- in respect of the group financial statements, state whether UK-adopted international 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 and/ or the group will continue in business.

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

Independent auditors 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 31 December 2022 which comprise the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

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 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements 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 the period to 31 December 2024.

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 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 by the parent company, 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 8, 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (IFRS) and the relevant tax compliance regulations in the UK.

- We understood how Scottish Sea Farms Limited is complying with those frameworks by making inquiries of management, those charged with governance, and those responsible for legal and compliance procedures. We corroborated our inquiries through review of board minutes and any correspondence with regulatory and tax authorities. We noted no contradictory evidence.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address the identified fraud risk, management override of controls, specifically around testing the completeness of fish mortalities recorded, testing the appropriateness of cut-off for revenue and inventory and testing manual journals.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of legal counsel and management. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements and accounts with all applicable requirements.

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.

Nicola McIntyre (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
5 December 2023

Consolidated statement of profit or loss for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Continuing operations			
Revenue from contract with customers	2	263,378	195,232
Cost of sales		(233,505)	(158,339)
Gross profit		29,873	36,893
Distribution costs		(11,089)	(9,421)
Administrative expenses		(12,560)	(9,146)
Net impairment (losses) / reversals on financial and contract assets		(234)	646
Other income	3	9,391	3,890
Other operating expenses		(545)	(401)
Operating profit	4	14,836	22,461
Finance income	7	114	3
Finance costs	7	(7,479)	(1,767)
Profit before tax from continuing operations		7,471	20,697
Income tax expense	8	(2,769)	(6,118)
Profit for the year from continuing operations		4,702	14,579

Consolidated statement of comprehensive Income

for the year ended 31 December 2022

		2022	2021
	Notes	£000	£000
Profit for the financial year		4,702	14,579
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on cash flow hedges	21	23	-
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		23	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Actuarial gain on defined benefit pension scheme, net of taxation	28	(1,010)	(1,576)
Restriction of defined benefit pension scheme surplus	28	1,010	1,576
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income for the year, net of tax		23	-
Total comprehensive income for the period, net of tax		4,725	14,579

Company statement of comprehensive Income

for the year ended 31 December 2022

		2022	2021
	Notes	£000	£000
(Loss) / profit for the financial year		(6,266)	14,074
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on cash flow hedges	21	23	-
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		23	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Actuarial gain on defined benefit pension scheme, net of taxation	28	(1,010)	(1,576)
Restriction of defined benefit pension scheme surplus	28	1,010	1,576
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income for the year, net of tax		23	-
Total comprehensive income / (loss) for the period, net of tax		(6,243)	14,074

Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital and premium £000	Share Premium £000	Cash flow Hedge Reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
As at 3 January 2021	21,400	1,600	-	-	62,996	85,996
Profit for the period	-	-	-	-	14,579	14,579
Total comprehensive Income	-	-	-	-	14,579	14,579
Other reserve	-	-	-	2,436	-	2,436
Issue of additional ordinary shares	50,000	-	-	-	-	50,000
As at 2 January 2022	71,400	1,600	-	2,436	77,575	153,011
Other reserve	-	-	-	(2,436)	2,436	-
Profit for the period	-	-	-	-	4,702	4,702
Other comprehensive income	-	-	23	-	-	23
Total comprehensive income	-	-	23	(2,436)	7,138	4,725
As at 31 December 2022	71,400	1,600	23	-	84,713	157,736

No equity dividend was paid during the year (2021 – nil)

Company statement of changes in equity for the year ended 31 December 2022


	Share capital and premium £000	Share Premium £000	Cash flow Hedge Reserve £000	Retained earnings £000	Total equity £000
As at 3 January 2021 (restated)	21,400	1,600	-	41,484	64,484
Profit for the period	-	-	-	14,074	14,074
Total comprehensive Income	-	-	-	14,074	14,074
Issue of additional ordinary shares	50,000	-	-	-	50,000
As at 2 January 2022 (restated)	71,400	1,600	-	55,558	128,558
Loss for the period	-	-	-	(6,266)	(6,266)
Other comprehensive income	-	-	23	-	23
Total comprehensive income	-	-	23	(6,266)	(6,243)
As at 31 December 2022	71,400	1,600	23	49,292	122,315

No equity dividend was paid during the year (2021 – nil).

Consolidated statement of financial position as at 31 December 2022

		As at 31 December 2022	As at 2 January 2022	As at 3 January 2021
Assets	Notes	£000	£000	£000
Non-current assets				
Property, plant and equipment	10	123,909	121,170	102,724
Right-of-use-assets	11	34,763	18,818	149
Intangible assets and goodwill	9	118,718	125,029	4,518
Total non-current assets		277,390	265,017	107,391
Current assets				
Inventories	14	5,430	4,942	3,317
Biological assets	15	115,792	119,567	92,536
Income Tax receivable		4,148	3,073	-
Trade receivables and other current assets	16	33,693	33,020	14,024
Total current assets		159,063	160,602	109,877
Total assets		436,453	425,619	217,268
Equity and liabilities				
Non-current liabilities				
Loans and borrowings	18	151,333	165,817	3,529
Lease liabilities	11	19,700	9,777	117
Other non-current financial liabilities	19	1,485	2,377	2,759
Deferred tax liabilities	20	24,251	19,858	4,933
Government grants	22	1,416	1,549	878
Total non-current liabilities		198,185	199,378	12,216
Current liabilities				
Trade and other payables	17	28,490	26,862	15,333
Loans and borrowings	18	17,540	19,034	84,389
Lease liabilities	11	15,473	9,120	32
Other current financial liabilities	19	17,535	16,844	18,114
Social Security		1,116	1,043	983
Government Grants	22	378	327	205
Total current liabilities		80,532	73,230	119,056
Total liabilities		278,717	272,608	131,272
Net assets		157,736	153,011	85,996
Equity attributable to equity holders of the parent				
Share capital	23	71,400	71,400	21,400
Share premium	24	1,600	1,600	1,600
Cash flow hedge reserve	21	23	-	-
Other reserve		-	2,436	-
Retained earnings		84,713	77,575	62,996
Total equity		157,736	153,011	85,996

The above consolidated statement should be read in conjunction with the accompanying notes. The consolidated statements were authorised for issue by the board of directors and were signed on its behalf by:


J F Gallagher
Director

5 December 2023

Company Statement of financial position as at 31 December 2022

		As at 31 December 2022	As at 2 January 2022 Restated	As at 3 January 2021 Restated
Assets	Notes	£000	£000	£000
Non-current assets				
Property, plant and equipment	10	123,909	97,611	102,724
Right-of-use assets	11	34,763	18,818	149
Intangible assets and goodwill	9	4,575	4,575	4,575
Loans to subsidiary		-	120,208	-
Investment in subsidiary undertakings	12	52,355	52,355	-
Total non-current assets		215,602	293,567	107,448
Current assets				
Inventories	14	3,893	2,628	3,317
Biological assets	15	89,638	81,455	92,536
Income Tax receivable		4,468	1,483	-
Trade receivables and current other assets	16	90,360	25,897	14,916
Total current assets		188,359	111,463	110,769
Total assets		403,961	405,030	218,217
Equity and liabilities				
Non-current liabilities				
Loans and borrowings	18	151,333	165,817	3,529
Lease liabilities	11	19,700	9,777	117
Other non-current financial liabilities	19	1,485	1,811	2,759
Deferred tax liabilities	20	8,696	7,690	4,933
Government grants	22	667	721	878
Total non-current liabilities		181,881	185,816	12,216
Current liabilities				
Trade and other payables	17	50,551	40,043	37,796
Loans and borrowings	18	17,540	23,584	84,389
Lease liabilities	11	15,473	9,120	32
Other current financial liabilities	19	14,778	16,823	18,111
Social Security		1,124	855	984
Government Grants	22	299	231	205
Total current liabilities		99,765	90,656	141,517
Total liabilities		281,646	276,472	153,733
Net Assets		122,315	128,558	64,484
Equity attributable to equity holders of the parent				
Share capital	23	71,400	71,400	21,400
Share premium	24	1,600	1,600	1,600
Cash flow hedge reserve	21	23	-	-
Retained earnings		49,292	55,558	41,484
Total equity		122,315	128,558	64,484

The above company statement should be read in conjunction with the accompanying notes. The company statements on were authorised for issue by the board of directors and were signed on its behalf by:



J F Gallagher
Director
5 December 2023

5 December 2023

Consolidated statement of cash flows for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Operating activities			
Profit before tax		7,471	20,697
Depreciation of owned assets and right-of-use assets	4	27,834	15,191
Income tax paid	8	(4,230)	(4,800)
Other gains and losses		33	166
Change in inventories / biological assets		3,287	11,203
Change in trade receivables and other assets		(673)	(6,195)
Change in trade and other payables		1,628	(975)
Change in other financial liabilities		(201)	(1,652)
Change in government grants		(327)	(205)
Change in other provisions and accruals		300	8,770
Net cash flow from operating activities		35,122	42,200
Investing activities			
Purchase of property, plant and equipment	10	(18,420)	(7,105)
Proceeds from sale of property, plant and equipment	9	420	208
Acquisition of subsidiary, net of cash acquired	13	-	(172,563)
Disposal of intangible assets		12,100	-
Receipt of government Grants	22	245	998
Interest received and other financial income		114	3
Purchase of financial instruments		23	-
Net cash flow from investing activities		(5,518)	(178,459)
Financing activities			
Proceeds from issue of shares and other equity securities	23	-	50,000
Proceeds from borrowings		-	160,000
Proceeds received under a supplier financing arrangement	18	-	18,000
Repayment of borrowings	18	(9,333)	(68,964)
Repayment under a supplier finance arrangement	18	(2,081)	(1,729)
Repayment of leases	11	(10,262)	(2,910)
Interest paid and other financial expenses	7	(7,365)	(1,764)
Net cash flow from financing activities		(29,041)	152,633
Net cash flow in the accounting period		563	16,374
Cash and cash equivalents at start of period		(4,001)	(20,375)
Cash and cash equivalents at end of period	18	(3,438)	(4,001)

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes (forming part of the financial statements)

1. Accounting policies

General information

The principal activity of Scottish Sea Farms and its subsidiaries is farming and processing of Scottish Atlantic salmon. The company is registered in England, company number 958001, and all its operations are in Scotland.

Statement of compliance

Scottish Sea Farms Limited 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 registered number is 958001. The Group's financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006. Biological assets are valued at fair value in accordance with IAS 2 & 41. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

For all periods up to and including the period ended 2 January 2022, Scottish Sea Farms Limited group and company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These group and company financial statements for the year ended 31 December 2022 are the first Scottish Sea Farms Limited has been prepared in accordance with IFRS. The impact of the groups first-time adoption of preparing its statements in accordance with IFRS are disclosed in note 30.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this note.

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 2024 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 year ended 31 December 2022 of £14.9m (2021 - £22.5m) and at the balance sheet date had bank loans of £91.7m (2021 - £100m), and £53.8m (2021 - £58.8m), and a Rolling Credit Facility (RCF) and overdraft totalling £3.4m (2021 - £4.0m)

The cashflow forecasts prepared for the Group demonstrate that within the period from the date of approval of the financial statements to 31 December 2024 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.

Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 31 December 2022. No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. Subsidiaries are all units where the group has control of the unit's financial and operational strategy, normally through ownership of more than half of the equity with voting rights. Subsidiaries are consolidated from the moment control is obtained and are excluded from consolidation when such control ceases. All transactions, intercompany accounts and unrealised gains and losses between the group companies are eliminated on consolidation. The companies that are part of the group are specified in notes 12 and 29.

Property, plant and equipment

Property, plant & equipment is stated at cost net of accumulated depreciation and impairment losses. Depreciation is provided on all property, plant and equipment, other than freehold land. All other repairs and maintenance costs are recognised in the profit or loss as they are incurred. Depreciation is calculated on a straight-line basis over the asset's expected useful life, with account taken of its estimated residual values annually. All disposals are recognised at date of disposal in profit or loss. 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 property, plant and equipment 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 assets and trade and the fair value of its separable net assets. The Group is required to obtain a license for each fish farm owned and operated. These licenses are, 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 cash flows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices.

Goodwill and licences with an indefinite usable lifespan are not depreciated but are tested annually for possible impairment. When assessing the need to write down the value of licences and goodwill, these are assigned to the relevant cash flow-generating entities or those groups which are expected to benefit from the acquisition. Write-downs are performed pursuant to an assessment of the recoverable value of each of the cash flow-generating entities to which the licences and goodwill are assigned. To identify the Group's cash flow-generating entities, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed.

It is the book value of the cash flow-generating entities that is tested for impairment annually, or more frequently if there are indications that a write-down may be needed. The book value of the assets in the cash flow-generating entity is compared with their recoverable amount. The recoverable amount is the higher of value in use and fair value less sales costs. When assessing the sales value of licences, reference is made to similar transactions that have been undertaken. Value in use is calculated by estimating future cash flows in the next five years, based on approved budgets and forecasts. Cash flows after five years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is less than the book value of the cash flow-generating entity, goodwill is written down first and then other assets as required.

Inventory

Inventory comprises feed and other materials. Inventories are valued at the lower of acquisition cost and net realisable value. Write-downs are made for quantifiable obsolescence.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Biological assets

Biological assets comprises smolts and fish and is accounted for in accordance with IAS 41 'Agriculture'. The general rule is that such assets are measured at fair value less cost to sell. Fair value is measured in line with IFRS 13. Biological assets are valued in accordance with valuation level 3, i.e. based on factors not drawn from observable markets. Changes in value are recognised and classified under fair value adjustments in profit and loss and charged to Cost of Sales. This is intended to provide a better understanding of the Group's profit/loss on the sale of goods.

Fish at the early stage of its life are valued at historic cost, deemed to be the best estimate of fair value for these assets due to little biological conversion. The fair value of biological assets held at the Group's sea farms is calculated using a cash-based present value model. The present value is calculated on the basis of estimated revenues, less estimated remaining production costs until the fish is harvestable at the individual site. A fish is harvestable when it has reached the

estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the reporting date. Present value is estimated for the biomass at each site.

Incoming cash flows are calculated as the estimated biomass at harvest multiplied by the price expected to be achieved at the same time. The estimated biomass (volume) at harvest is calculated on the basis of the number of individual fish held at sea farms on the reporting date, adjusted for expected mortality until harvest and multiplied by the estimated weight of the fish at harvest.

The price is calculated using the Fish Pool forward price for the estimated harvesting date that was in effect on the reporting date. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made at the site level.

Estimated remaining production costs are estimated costs that a rational person would presume necessary for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in the calculation, compensation for licence fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is calculated using a monthly discounting of the cash flow based on the second last harvesting month in the harvesting plan. The discount factor is intended to reflect three main components:

1. Risk of incidents that affect cash flow
2. Synthetic licence fees and site leasing costs
3. Time value of money

The discount factor is set on the basis of an average for all the Group's sites, which, in the Group's assessment, provides a sensible growth curve for the fish - from smolt to harvestable size.

The risk adjustment must take account of the risk involved in investing in live fish. A fish spends on average 18 months at a sea farm, and the risk will be higher the further forward in time the harvesting date is. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognised. The present value model includes a theoretical compensation for licence fees and site leasing costs as an addition to the discount factor in the model, instead of being a cost-reducing factor in the calculation. Typical lifespan smolt 12 months, typical lifespan salmon/fish 12 months.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term liquid investments with original maturities of three months or less.

Trade and other receivables

The Group's receivables are recognised at amortised cost. The Group measures its provision for bad debts on the basis of expected credit losses over the span of each reporting period, and not based on a 12-month expected loss.

Bad debts are classified as administrative expenses in the Statement of Profit and Loss.

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to credit risk and foreign currency risk can be found in note 26.

Research and development

Expenditure on research and development costs are expensed as incurred in the profit or loss account within administrative expenses.

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 criteria in the following paragraph must also be met before revenue is recognised. Any rebate structures are determined in line with agreed terms and accrued appropriately within the balance sheet.

Sale of goods

Revenues are recognised when control over the good or service has been transferred to the customer and at the amount reflecting what the Group expects to receive for the good or service. Delivery takes place when control is ceded to the customer, typically when the goods are transferred to the carrier or at delivery to the customer. This depends on the delivery terms and varies from customer to customer. The normal credit period is 30 days. The company manages credit risk by conducting credit checks on its customers and arranges credit terms accordingly.

Deferred taxation

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. Government grants are included on the balance sheet (note 22)

Leasing and hire purchase commitments

The Group evaluates all material agreements to determine whether all or part of thereof relates to right-to-use assets. IFRS 16 Leases sets out principles for the recognition, measurement presentation and disclosure of leasing agreements. Under IFRS 16, assets and liabilities covered by the majority of leasing agreements are recognised. An exception is made for short-term leases lasting less than 12 months and agreements relating to assets with a low underlying value. Leasing costs relating to agreements encompassed by these exceptions are recognised in profit and loss as and when they arise. When considering the non-terminable portion of an agreement, an assessment is made of whether there is reasonable certainty that options to extend will be exercised.

In those cases where the Group has entered into complex leasing agreements, the service element is hived off to calculate the value of the right-to-use asset. For the most part, this applies to leases relating to wellboats and service boats, where crewing and other service elements are included in the leasing cost and where the estimated market price of the service element is hived off.

On the date on which the lease goes into effect, the leasing liability is measured at the present value of the leasing payments, using the Group's incremental borrowing rate. The incremental borrowing rate is determined on the basis of the Group's borrowing terms on the date on which the lease was entered into and the length of the lease.

Leasing liabilities are adjusted in connection with any change in future payments, change in lease terms resulting from adjustment of the leasing payment or change in estimated residual payments. The leasing liability is also adjusted if there

is any change in the estimate deriving from the exercise of an option to buy out the underlying asset, or if the expected leasing period is altered. Right-to-use assets are depreciated on a straight-line basis on the shorter of the lease term and the estimated useful life of the asset.

The Group adopted IFRS 16 using the simplified modified retrospective approach whereby the Group is not required to restate the prior period comparative information presented in the financial statements. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. The Group also elected to adopt the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option and lease contracts for which the underlying asset is of low value.

The Group has also adopted following practical expedients permitted on initial application:

- The Group has utilised the exemptions provided for short-term leases (less than a year) and leases for low value assets.
- The Group has utilised hindsight in determining the lease terms where contracts contained options to extend or terminate the lease.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application and would be expensed as incurred.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Investments

Investments in companies where the company has control. Investments in subsidiaries are fully consolidated and capitalised at acquisition cost at the time of purchase.

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.

Financial Risk Management

(i) Foreign currency risk

The group enters into forward currency contracts to reduce the foreign exchange risk relating to future sales revenues deriving from customer contracts denominated in foreign currencies for the physical delivery of salmon. Foreign currency exposure is projected monthly in line with expected revenue and costs. The group's forward currency contracts maturity dates are January 2023. This area of risk is under review with regard to future currency exposure.

The fair value of forward currency contracts is calculated on the basis of the calculated forward rate for the currencies concerned, the term of the contract, agreed currency amount as well as the spot rate on the reporting date. For the period to 31 December 2023, the Group had £3,082,000 of expected cash inflows.

(ii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables)

and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Credit risk arises from cash and cash equivalents, amounts owed by ultimate parent undertakings, contractual cash flows of financial assets carried at amortised cost deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(a) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(b) Security

For some trade receivables the group might obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called on if the counterparty is in default under the terms of the agreement.

(c) Impairment of financial assets

The group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of inventory
- contract assets
- amounts owed by ultimate parent undertaking

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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 passed through the income statement.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the

Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The company has determined that goodwill and indefinite life intangible assets represent one cash-generating unit (CGU). If part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Judgements and key sources of estimation uncertainty

Biological assets

Biological assets held at the group's sea farms are measured in accordance with IAS 41. The valuation is based on a number of assumptions that require considerable discretionary judgement. The key assumptions relate to volume, costs, price and the discount rate.

The estimated volume at harvest is based on the number of fish held at sea farms, adjusted for estimated growth and mortality from the time the fish were transferred to the sea until they have actually been harvested. The actual volume harvested may deviate from the estimated volume as a result of biological developments. Uncertainty with regard to biological developments may affect the date of harvest and therefore the discounting period in the model.

Expected market prices underpin the measurement of fish at fair value. The industry considers the Fish Pool forward price to be the best estimate of market prices. Historically, the market price for fish has proved susceptible to relatively large fluctuations from period to period and between seasons. The price achieved will, moreover, differ depending on the size and quality of the fish at harvest. At the same time, the date of harvest will depend on the fish's biological development. Considerable uncertainty attaches to the estimated remaining production costs to harvest. Biological challenges, such as disease and sea lice infestations, will affect fish-related costs. In addition, uncertainty will attach to the price of other important input factors, such as fish feed.

Expected future cash flows for the individual site are discounted by a monthly discount factor. The discount factor comprises several elements. A synthetic licence fee and site leasing cost is added to the discount factor in the model, instead of these elements being taken as a cost reducing factor in the calculation. In order to engage in the farming of salmon and trout, it is necessary to have access to infrastructure in the form of production licences and sites. The market price for a production licence in today's market is high, and it might be assumed that in a hypothetical market there would be a considerable cost attached to use of the infrastructure and licences necessary to operate an aquaculture business. This cost is reflected in the size of the discount rate and will be subject to considerable discretionary judgement.

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.

Leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

New standards and amended financial reporting standards

IAS 12, Income taxes regarding deferred taxes relating to assets and liabilities arising from a single transaction will apply to the group. These amendments are effective for periods beginning on or after 1 January 2023, and their potential effects are under consideration. No other standards or changes are expected to have any material impact.

2. Revenue from contracts with customers

Revenue comprises the invoice value of goods and services supplied by the Group exclusive of VAT and intra-group transactions. Revenue is attributable to one continuing activity, the farming and processing of salmon. No further analysis of revenue has been disclosed, as, in the opinion of the directors, any further analysis would be seriously prejudicial to the interests of the Group.

(a) Revenue disaggregation:

The group derives revenue from the transfer of goods and services at an agreed shipment/delivery point in time for the following major product lines:

Analysis of revenue by Category:

	2022 £000	2021 £000
Farming	262,187	194,534
Processing of Salmon	1,191	698
Total	<u>263,378</u>	<u>195,232</u>

(b) Assets and liabilities related to contracts with customers:

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022 £000	2021 £000	2020 £000
Trade receivables net of loss allowance (note 16)	14,761	16,862	8,366
Contract assets net of loss allowance (note 16)	6,966	4,773	1,443

3. Other Income

	2022 £000	2021 £000
Government grants (note 22)	327	205
Insurance claims	6,623	1,867
Other processing	<u>2,441</u>	<u>1,818</u>
	<u>9,391</u>	<u>3,890</u>

4. Group operating profit

This is stated after charging/(crediting):

	2022 £000	2021 £000
Depreciation of owned assets	15,261	12,361
Depreciation of right-of-use assets	12,573	2,830
Auditor remuneration:		
- audit services	180	70
Taxation - compliance	18	36
Taxation - advisory	102	35
Advisory – other	-	124
Pension	11	10
Hire of plant and equipment	14,962	18,677
Exchange loss	545	398
Gain on sale of fixed assets	(80)	(144)

5. Directors' remuneration

	2022 £000	2021 £000
Emoluments	810	566

The emoluments of the highest paid director for the year ended 31 December 2022 were £810,000 (2021 - £566,000) and pension contributions were £nil (2021 - nil). No directors were members of the Defined Benefit Pension Scheme.

6. Staff costs

	2022 £000	2021 £000
Wages and salaries	27,285	19,318
Social security costs	3,117	1,986
Other pension costs	686	518
	<u>31,088</u>	<u>21,822</u>

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

	2022 No.	2021 No.
Production	566	441
Administration	70	47
	<u>636</u>	<u>488</u>

7. Finance income and costs

	2022 £000	2021 £000
Finance income		
Interest on pension scheme liabilities	341	291
Expected return on pension scheme assets	(341)	(291)
Interest income	<u>114</u>	<u>3</u>
	114	3
Finance costs		
Bank loan interest	5,833	1,060
Bank overdraft interest	649	358
Finance charges payable under finance leases and hire purchase contracts	147	169
Interest and finance charges paid / payable for lease liabilities	<u>850</u>	<u>180</u>
	7,479	1,767
Net finance costs	<u>7,365</u>	<u>1,764</u>

8. Taxation

(a) Income tax expense

Group

The tax charge is made up as follows:

	Note	2022 £000	2021 £000
Current tax			
Current tax on profits of the year		323	2,250
Adjustments for current tax of prior periods		1,082	959
Total current tax expense		1,405	3,209
Deferred income tax:			
Originating and reversal of timing differences		1,502	984
Adjustment in respect of previous periods		425	70
Effect of changes in tax rates		(563)	1,855
Total deferred tax		1,364	2,909
Tax per income statement		2,769	6,118
Other comprehensive income items		6	-

(b) Significant estimates: uncertain tax position and tax-related contingency

Group

The UK corporation tax rate remained at 19% for the years starting 1 April 2021 in the 2021 budget. The UK government confirmed in the 2023 Spring budget that the planned Corporation Tax increase to 25% from April 2023 will go ahead.

(c) Numerical reconciliation of income tax expense to prima facie tax payable

Group

Tax on profits is at the standard rate of corporation tax in the UK of 19% (2021 – 19%). The tax charge for the year can be reconciled to the profit per the income statement as follows:

	Note	2022 £000	2021 £000
Profit before income tax expense		7,471	20,697
Tax at the UK tax rate of 19% (2021: 19%)		1,419	3,932
Income not taxable		(1,615)	(1,339)
Expenses not deductible		462	641
Effects of overseas tax rates		(706)	-
Adjustment from previous periods		1,507	1,029
Tax rate changes		(683)	1,855
Movement in unrecognised deferred tax		1,420	-
Fair value movement on asset disposal		(11)	-
Fair value stock movement		976	-
Subtotal		2,769	6,118
Income tax expense reported on the income statement		2,769	6,118

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. Profit attributable to members of the parent company. The company has not presented its own profit and loss account for the year ended 31 December 2022. Of the Group profit for the financial year, a loss attributable to the members of (£6,266,000) (2021 – profit of £14,074,000) has been dealt with in the financial statements of the company.

9. Intangible assets and goodwill

Group

	Goodwill	Site Licences	Total
Cost			
As at 3 January 2021	9,656	2,525	12,181
Additions	18,111	102,400	120,511
As at 2 January 2022	27,767	104,925	132,692
Additions	-	11,800	11,800
Disposals	(6,311)	(11,800)	(18,111)
As at 31 December 2022	21,456	104,925	126,381
Amortisation			
As at 3 January 2021, 2 January 2022 and 31 December 2022	6,523	1,140	7,663
Net book value			
As at 31 December 2022	14,933	103,785	118,718
As at 2 January 2022	21,244	103,785	125,029
As at 3 January 2021	3,133	1,385	4,518

Company

	Goodwill	Site Licences	Total
Cost	£000	£000	£000
As at 3 January 2021 (restated), 2 January 2022 (restated) and 31 December 2022	9,375	2,320	11,695
Amortisation			
As at 3 January 2021 (restated), 2 January 2022 (restated) and 31 December 2022	6,091	1,029	7,120
Net book value			
As at 3 January 2021, 2 January 2022 and 31 December 2022	3,284	1,291	4,575

10. Property, plant and equipment

Group

	Freehold land and building £000	Buildings and leasehold land £000	Machinery and equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost						
As 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
Less disposals	(208)	-	-	(181)	-	(389)
As at 2 January 2022	49,839	1,099	190,800	3,988	4,594	250,320
Additions	612	-	11,797	613	5,398	18,420
Reclassifications	1,084	-	314	2	(1,400)	-
Less disposals	(431)	-	(47)	(272)	-	(750)
As at 31 December 2022	51,104	1,099	202,864	4,331	8,592	267,990
Amortisation						
As at 2 January 2021	5,626	1,099	106,921	3,324	-	116,970
Charge for the period	1,201	-	10,761	399	-	12,361
Less disposals	-	-	-	(181)	-	(181)
As at 2 January 2022	6,827	1,099	117,682	3,542	-	129,150
Charge for period	1,651	-	13,202	408	-	15,261
Less disposals	(101)	-	(9)	(220)	-	(330)
As at 31 December 2022	8,377	1,099	130,875	3,730	-	144,081
Net book value						
As at 31 December 2022	42,727	-	71,989	601	8,592	123,909
As at 2 January 2022	43,012	-	73,118	446	4,594	121,170
As at 3 January 2021	36,680	-	63,226	583	2,235	102,724

No impairment losses were recognised in the current or previous year.

10. Property, plant and equipment (continued)

Company

	Freehold land and building £000	Buildings and leasehold land £000	Machinery and equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost						
As at 3 January 2021 (restated)	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)	-
Less disposals	(208)	-	-	(181)	-	(389)
As at 2 January 2022 (restated)	42,201	1,099	174,528	3,988	4,594	226,410
Additions	612	-	11,797	613	5,398	18,420
Reclassifications	1,084	-	314	2	(1,400)	-
Transfers of assets from subsidiary	7,638	-	16,272	-	-	23,910
Less disposals	(431)	-	(47)	(272)	-	(750)
As at 31 December 2022	51,104	1,099	202,864	4,331	8,592	267,990
Amortisation						
As at 3 January 2021 (restated)	5,626	1,099	106,921	3,324	-	116,970
Charge for period	1,201	-	10,410	399	-	12,010
Less disposals	-	-	-	(181)	-	(181)
As at 2 January 2022 (restated)	6,827	1,099	117,331	3,542	-	128,799
Charge for period	1,651	-	13,553	408	-	15,612
Less disposals	(101)	-	(9)	(220)	-	(330)
As at December 2022	8,377	1,099	130,875	3,730	-	144,081
Net book value						
As at 31 December 2022	42,727	-	71,989	601	8,592	123,909
As at 2 January 2022 (restated)	35,374	-	57,197	446	4,594	97,611
As at 3 January 2021 (restated)	36,680	-	63,226	583	2,235	102,724

No impairment losses were recognised in the current or previous year.

11. Leases

Right-of-use assets

Group and Company

	Buildings	Equipment	Total
Cost			
As at 3 January 2021	87	82	169
Additions	2,636	18,863	21,499
As at 2 January 2022	2,723	18,945	21,668
Additions	126	28,392	28,518
As at 31 December 2022	2,849	47,337	50,186
Amortisation			
As at 3 January 2021	6	14	20
Additions	24	2,806	2,830
As at 2 January 2022	30	2,820	2,850
Additions	232	12,341	12,573
As at 31 December 2022	262	15,161	15,423
Total			
As at 31 December 2022	2,587	32,176	34,763
As at 2 January 2022	2,693	16,125	18,818
As at 3 January 2021	81	68	149

	2022 £000	2021 £000
Depreciation charge of right-of-use assets (included in cost of sales)	12,573	2,830
Interest expense (included in finance cost)	850	180
Expense related to short-term leases (included in P & L)	226	38
Expense related to leases of low-value assets (included in P & L)	5	-

11. Leases (continued)

Lease Liabilities

Group and Company

	2022 £000	2021 £000	2020 £000
As at 3 January 2021, 2 January 2022	18,897	149	154
Additions	17,126	18,928	44
Accretion of interest	850	180	5
Payments	(1,700)	(360)	(54)
As at 3 January 2020, 2 January 2021 and 31 December 2022	<u>35,173</u>	<u>18,897</u>	<u>149</u>
	2022 £000	2021 £000	2020 £000
Current	15,473	9,120	32
Non current	19,700	9,777	117
	<u>35,173</u>	<u>18,897</u>	<u>149</u>

The total cash outflow for leases was £11.4m (2021: £2.6m)

12. Investments

Company

	Subsidiary Undertakings £000	Loans £000	Total £000
Share of net assets/cost			
As at 3 January 2021 (restated)	-	-	-
Additions	52,355	120,208	172,563
As at 2 January 2022 (restated)	52,355	120,208	172,563
Additions	-	-	-
Repayment of loans	-	(120,208)	(120,208)
As at 31 December 2022	52,355	-	52,355

	Class of share	Country of Incorporation	Proportion held
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.

	Class of share	Country of Incorporation	Proportion held
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

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).

During this year the associated sites of Isle of Skye Salmon Limited were sold resulting in the following purchase price allocation (PPA) adjustment to the acquisition of Grieg Seafood Hjatland. This measurement period adjustment against the original acquisition on 15 December 2021 is recognised below.

The fair value of the identifiable assets and liabilities of Grieg Seafood Hjatland UK Limited and subsidiaries as at the date of acquisition were:

	£000
Fixed Assets (Note 10)	23,910
Stocks	39,859
Debtors	12,801
Cash	2
Site Licences (Note 9)	114,200
Tax Assets	8,455
Total Assets	199,227
Tax Liabilities	(25,960)
Creditors	(12,504)
Total Liabilities	38,464
Total identifiable net assets at fair value	160,763
Purchase consideration transferred	172,563
Goodwill arising from acquisition	11,800

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 based on the assets having an indefinite useful life.

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.

The net assets recognised in the 2 January 2022 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the site licences owned by Grieg Seafood Hjatland UK Limited and subsidiaries. The valuation had not been completed by the date the 2021 financial statements were approved for issue by the Board of Directors."

In April 2022, the valuation was completed and the acquisition date fair value of site licences was £114,200k an increase of £11,800k over the provisional value. The 2021 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was an increase in the deferred tax liability of £1,543k and a decrease in deferred tax of £3,946k.

14. Inventories

	Group			Company		
	2022	2021	2020	2022	2021	2020
	£000	£000	£000	£000	£000	£000
Materials and feed	5,430	4,942	3,317	3,893	2,628	3,317

The inventory recognised as an expense within cost of goods sold in the period was £209,414,000 (2021 - £146,211,000).

15. Biological assets

Biological assets comprise smolts and fish at sea farms and fish farming operations on land and at sea.

	Group			Company		
	2022	2021	2020	2022	2021	2020
	£000	£000	£000	£000	£000	£000
Opening balance	119,567	92,536	58,827	81,455	92,536	58,827
Increase due to production/purchases	205,639	134,946	126,650	147,522	131,394	126,650
Increase resulting from business combination	-	36,428	-	-	-	-
Reduction resulting from sale/harvesting	(209,414)	(144,343)	(92,941)	(139,339)	(142,475)	(92,941)
Total biological assets at closing balance	115,792	119,567	92,536	89,638	81,455	92,536

Current assets:

Fish	105,514	109,750	86,374	81,875	75,525	86,374
Smolts	10,278	9,817	6,162	7,763	5,930	6,162
	115,792	119,567	92,536	89,638	81,455	92,536

As at 31 December 2022 the Group had 12,428,000 fish in stock (2021 – 12,700,000) and 8,579,000 fish were sold during the year (2021 – 7,125,000).

16. Trade receivables and other assets

	Group			Company		
	2022	2021	2020	2022	As restated 2021	As restated 2020
	£000	£000	£000	£000	£000	£000
Current assets						
Trade receivables from third party customers	15,147	17,201	9,456	15,147	8,187	9,451
Loss allowance on trade receivables	(386)	(339)	(1,090)	(386)	(339)	(1,086)
Contract assets	7,160	4,773	1,526	5,727	4,111	1,526
Loss allowance on contracts assets	(164)	-	(83)	(164)	-	(83)
Prepayments	6,556	5,876	3,126	5,244	5,061	3,126
Other financial assets (note 21)	23	-	-	23	-	-
Amounts owed by ultimate parent undertakings	1,307	386	944	1,307	386	944
Amounts owed by subsidiary undertakings	-	-	-	60,196	5,821	918
Other receivables	4,050	5,123	145	3,266	2,670	120
	33,693	33,020	14,024	90,360	25,897	14,916

Trade receivables are non-interest bearing and are normally settled on 30-day terms.

17. Trade and other payables

	Group			Company		
	2022	2021	2020	2022	As restated 2021	As restated 2020
	£000	£000	£000	£000	£000	£000
Current liabilities						
Trade payables	28,490	26,862	15,308	28,353	18,420	15,308
Amounts owed to ultimate parent undertakings	-	-	-	137	78	-
Amounts owed to subsidiary undertakings	-	-	-	22,061	21,545	22,488
Other payables	-	-	25	-	-	-
	<u>28,490</u>	<u>26,862</u>	<u>15,333</u>	<u>50,551</u>	<u>40,043</u>	<u>37,796</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

18. Loans and borrowings

The Group established secured loans with the bank and other lenders, these are split on current and non-current debt. Payments that mature within 12 months from the balance sheet date is presented as current debt.

<i>Group</i>					
	Interest rate	Maturity	2022	2021	2020
	%		£000	£000	£000
Current loans and borrowings					
Lease Liability (note 11)	1.7 to 4.8	2020-2023	(15,473)	(9,120)	(32)
Bank overdrafts	SONIA+1.0 to 3.0	On demand	(3,438)	(4,001)	(20,375)
£52m capital facility loan - secured	SONIA+1.0 to 3.1	31 July 2021	-	-	(48,381)
£60m facility A bank loan - secured	SONIA+1.0 to 3.2	21 July 2026	(5,000)	(5,000)	(5,000)
£100m facility D bank loan - secured	SONIA+1.0 to 3.3	15 Dec 2026	(8,333)	(8,333)	(8,333)
£10m third-party loan - non secured	BofE base+0.9	2023-2026	(769)	(1,700)	(2,300)
Loans and borrowings			<u>(17,540)</u>	<u>(19,034)</u>	<u>(84,389)</u>
Total current loans and borrowings			<u>(33,013)</u>	<u>(28,154)</u>	<u>(84,421)</u>
Non-current loans and borrowings					
Lease Liability (note 11)	1.7 to 4.8	2024-2028	(19,700)	(9,777)	(117)
£60m facility A bank loan - secured	SONIA+1.0 to 3.2	21 July 2026	(48,750)	(53,750)	-
£100m facility D bank loan - secured	SONIA+1.0 to 3.3	15 Dec 2026	(83,333)	(91,667)	-
£18m third-party loan - non secured	BofE base+0.9	31 Dec 2028	(18,000)	(18,000)	-
£10m third-party loan - non secured	BofE base+0.9	2023-2026	(1,250)	(2,400)	(3,529)
Loans and borrowings			<u>(151,333)</u>	<u>(165,817)</u>	<u>(3,529)</u>
Total non-current loans and borrowings			<u>(171,033)</u>	<u>(175,594)</u>	<u>(3,646)</u>
Total loans and borrowings			<u>(204,046)</u>	<u>(203,748)</u>	<u>(88,067)</u>
Cash and short-term debt					
Cash and cash equivalents			11,562	6,999	(3,375)
Bank drawdown facility			(15,000)	(11,000)	(17,000)
Bank overdrafts			<u>(3,438)</u>	<u>(4,001)</u>	<u>(20,375)</u>

18. Loans and borrowings (continued)

Company

	Interest rate %	Maturity	2022 £000	2021 £000	2020 £000
Current loans and borrowings					
Lease Liability (note 11)	1.7 to 4.8	2020-2023	(15,473)	(9,120)	(32)
Bank overdrafts	SONIA+1.25 to 3.0	On demand	(3,438)	(8,551)	(20,375)
£52m capital facility loan - secured	SONIA+1.25 to 3.0	2021	-	-	(48,381)
£60m facility A bank loan - secured	SONIA+1.25 to 3.0	21 July 2026	(5,000)	(5,000)	(5,000)
£100m facility D bank loan - secured	SONIA+1.25 to 3.0	15 Dec 2026	(8,333)	(8,333)	(8,333)
£10m third-party loan - non secured	BofE base+0.9	2023-2026	(769)	(1,700)	(2,300)
Loans and borrowings			<u>(17,540)</u>	<u>(23,584)</u>	<u>(84,389)</u>
Total current loans and borrowings			<u>(33,013)</u>	<u>(32,704)</u>	<u>(84,421)</u>
Non-current loans and borrowings					
Lease Liability (note 11)	1.7 to 4.8	2024-2028	(19,700)	(9,777)	(117)
£60m facility A bank loan - secured	SONIA+1.25 to 3.0	21 July 2026	(48,750)	(53,750)	-
£100m facility D bank loan - secured	SONIA+1.25 to 3.0	15 Dec 2026	(83,333)	(91,667)	-
£18m third-party loan - non secured	BofE base+0.9	31 Dec 2028	(18,000)	(18,000)	-
£10m third-party loan - non secured	BofE base+0.9	2023-2026	(1,250)	(2,400)	(3,529)
Loans and borrowings			<u>(151,333)</u>	<u>(165,817)</u>	<u>(3,529)</u>
Total non-current loans and borrowings			<u>(171,033)</u>	<u>(175,594)</u>	<u>(3,646)</u>
Total loans and borrowings			<u>(204,046)</u>	<u>(208,298)</u>	<u>(88,067)</u>
Cash and short-term debt					
Cash and cash equivalents			11,562	2,449	(3,375)
Bank drawdown facility			<u>(15,000)</u>	<u>(11,000)</u>	<u>(17,000)</u>
Bank overdrafts			<u>(3,438)</u>	<u>(8,551)</u>	<u>(20,375)</u>

19. Other financial liabilities

	Group			Company		
	2022 £000s	2021 £000	2020 £000	2022 £000s	2021 £000	2020 £000
Current						
Accruals	13,493	13,649	16,158	11,319	13,123	16,155
Accrued interest	937	409	199	937	409	199
Capital expenditure liability	2,047	1,485	-	1,464	2,058	-
Other liabilities	1,058	1,301	1,757	1,058	1,233	1,757
	<u>17,535</u>	<u>16,844</u>	<u>18,114</u>	<u>14,778</u>	<u>16,823</u>	<u>18,111</u>
Non-current						
Other liabilities	1,485	2,377	2,759	1,485	1,811	2,759
	<u>1,485</u>	<u>2,377</u>	<u>2,759</u>	<u>1,485</u>	<u>1,811</u>	<u>2,759</u>

20. Deferred tax liabilities

Group

Deferred tax liabilities:

Provision at the start of the period	19,858
Adjustment in respect of prior years	3,448
Deferred tax charge to income statement for the period	939
Movement arising from the acquisition or disposal of business	-
Fair value adjustments to goodwill	-
Deferred tax charge in other comprehensive income	6
Provision at the end of the period	24,251

Liabilities	Liabilities	Liabilities
2022	2021	2020
£000	£000	£000
19,858	4,933	4,425
3,448	70	(56)
939	2,839	564
-	(1,742)	-
-	13,758	-
6	-	-
24,251	19,858	4,933

Fixed asset timing differences	8,864
Temporary differences trading	(726)
Losses	(9,486)
Fair value adjustment on acquisition	25,599
	24,251

11,082	5,030
188	(97)
(11,537)	-
20,125	-
19,858	4,933

Deferred tax (assets)

Recoverable after 12 months	(10,270)
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(11,537)	(97)
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Deferred tax liabilities

Payable after 12 months	34,521
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31,395	5,030
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Company

Deferred tax liabilities:

Provision at the start of the period	7,690
Adjustment in respect of prior years	(781)
Deferred tax charge to income statement for the period	1,781
Deferred tax charge in Other comprehensive income	6
Provision at the end of the period	8,696

Liabilities	Liabilities	Liabilities
2022	2021	2020
£000	£000	£000
7,690	4,933	4,425
(781)	70	(56)
1,781	2,687	564
6	-	-
8,696	7,690	4,933

Fixed assets	8,921
Temporary differences trading	(183)
Losses	-
Other timing differences	(42)
	8,696

8,057	5,030
(367)	(97)
-	-
-	-
7,690	4,933

Deferred tax (assets)

Recoverable after 12 months	(225)
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(367)	(97)
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Deferred tax liabilities

Payable after 12 months	8,921
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8,057	5,030
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21. Financial Instruments

Group and company

	2022 £000	2021 £000	2020 £000
Instruments measured at fair value:			
Assets measured at fair value – amounts falling due within one year	23	-	-
Liabilities measured at fair value – amounts falling due within one year	-	-	-
	<u>23</u>	<u>-</u>	<u>-</u>
Analysed as:			
Amounts falling due within one year	<u>23</u>	<u>-</u>	<u>-</u>

Derivative instruments measured at fair value

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The following table indicates the periods in which the cash flows associated with cash flow hedging instruments and related profit / loss effect are expected to occur.

Group and company

	Carrying amount £000	2022 Expected cash flows £000	1 year or less £000	Carrying amount £000	2021 Expected cash flows £000	1 year or less £000
Forward exchange contracts:						
Assets	25	2,280	2,280	-	-	-
Liabilities	(2)	802	802			
	<u>23</u>	<u>3,082</u>	<u>3,082</u>			

The group enters into contracts for the forward purchase and sale of foreign currency based on the balance between forecasts for future foreign currency requirements to settle obligations due to suppliers and receipts from customers.

The change in the fair value, before adjustment for tax, of the foreign currency contracts recognised in other comprehensive income was a gain of 23,000 (2021 nil).

22. Government grants

Group

	2022 £000	2021 £000	2020 £000
As at 2 January 2021 and 3 January 2022	1,876	1,083	265
Received during year	245	998	998
Released to the statement of profit or loss	(327)	(205)	(180)
As at 31 December 2022, 3 January 2022 and 2 January 2021	<u>1,794</u>	<u>1,876</u>	<u>1,083</u>
Current	378	327	205
Non-current	1,416	1,549	878

Company

	2022 £000	2021 £000	2020 £000
As at 2 January 2021 and 3 January 2022	952	1,083	265
Received during year	245	74	998
Released to the statement of profit or loss	(231)	(205)	(180)
As at 31 December 2022, 3 January 2022 and 2 January 2021	<u>966</u>	<u>952</u>	<u>1,083</u>
Current	299	231	205
Non-current	667	721	878

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

23. Share capital

Group and Company

	Authorised			Allotted, called up and fully paid		
	2022 No	2021 No	2020 No	2022 £000	2021 £000	2020 £000
Ordinary shares of £1 each	71,400,000	71,400,000	21,400,000	71,400	71,400	21,400

During 2021, the authorised share capital was increased by £50,000,000 by the issuance of 50,000,000 ordinary shares of £1 each. These shares were allotted by the directors at £1 each to help fund the ongoing operations of the business.

24. Share premium

Group and Company

	2022 £000	2021 £000	2020 £000
Share premium	1,600	1,600	1,600

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

25. Capital Management

For the purpose of the group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital by analysing future cash flows and assessing overall debt and equity requirements. The group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	2022 £000	2021 £000
Bank overdraft (note 18)	(3,438)	(4,001)
Borrowings (note 18)	(165,435)	(180,850)
Lease liabilities (note 11)	(35,173)	(18,897)
	<u>(204,046)</u>	<u>(203,748)</u>

26. Financial risk management

Trade receivables and contract assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 31 December 2022, 2 January 2022 and 3 January 2021 was determined as follows for both trade receivables and contract assets:

Group & Company

	Current £000	More than 30 days past due £000	More than 45 days past due £000	More than 75 days past due £000	More than 105 days past due £000	More than 135 days past due £000	Total £000
As at 3 January 2021							
Expected credit loss rate	3.66%	3.66%	3.86%	4.51%	5.47%	100%	-
Estimated total gross carrying amount at default – trade receivables	8,464	1,247	82	16	27	729	10,565
Estimated total gross carrying amount – contract assets	-	-	-	-	1,527	-	1,527
Expected credit loss	309	46	3	1	85	729	1,173
As at 2 January 2022							
Expected credit loss rate	-1.14%	-1.14%	-1.27%	-1.27%	-1.43%	100%	-
Estimated total gross carrying amount at default – trade receivables	7,189	1,034	47	550	53	529	9,402
Estimated total gross carrying amount – contract assets	-	-	-	-	4,773	-	4,773
Expected credit loss	-	-	-	-	-	529	529
As at 31 December 2022							
Expected credit loss rate	2.64%	2.64%	2.67%	3.05%	3.46%	100%	-
Estimated total gross carrying amount at default – trade receivables	14,442	1,932	447	521	121	675	18,138
Estimated total gross carrying amount – contract assets	-	-	-	-	7,160	-	7,160
Expected credit loss	382	51	12	16	252	675	1,388

The loss allowances for trade receivables and contract assets at 31 December reconcile to the opening loss allowances as follows:

	Contract assets			Trade receivables		
	2022 £000	2021 £000	2020 £000	2022 £000	2021 £000	2020 £000
Opening loss allowance	-	84	-	529	1,091	-
Increase in loan loss allowance recognised in profit or loss during the year	248	(84)	84	611	(562)	1,091
Receivables written off during the year as uncollectible	-	-	-	-	-	-
Closing loss allowance	248	-	84	1,140	529	1,091

26. Financial risk management (continued)

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables above.

Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains were recognised in profit or loss in relation to impaired financial assets:

	2022 £000	2021 £000	2020 £000
Impairment losses			
Movement in loss allowance for trade receivables and contract assets	1,388	529	1,173
Net impairment losses on financial and contract assets	1,388	529	1,173

Liquidity risk

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities

Contractual maturities of financial liabilities	Less than 6 months £000	6 – 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total contractual cash flows £000	Carrying amount (assets) / liabilities £000
As at 3 January 2021							
Non-derivatives							
Trade payables	15,308	-	-	-	-	15,308	15,308
Borrowings	24,597	59,792	1,779	1,500	250	87,918	87,918
Lease liabilities	7	16	33	45	57	158	149
Total non-derivatives	39,912	59,908	1,812	1,545	307	103,384	103,375
As at 2 January 2022							
Non-derivatives							
Trade payables	26,862	-	-	-	-	26,862	26,862
Borrowings	11,518	7,516	14,484	133,333	18,000	184,851	184,851
Lease liabilities	3,847	5,480	6,306	2,848	1,783	20,264	18,897
Total non-derivatives	42,227	12,996	20,790	136,181	19,783	231,977	230,610
As at 31 December 2022							
Non-derivatives							
Trade payables	28,490	-	-	-	-	28,490	28,490
Borrowings	10,625	6,915	13,835	119,500	18,000	168,875	168,874
Lease liabilities	7,769	8,004	11,726	9,374	1,512	38,385	35,173
Total non-derivatives	46,884	14,919	25,561	128,874	19,512	235,750	232,537

27. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,613,000 (2021 - £2,466,000, 2020 - £1,317,000) for the Group, company was £615,000 (2021 - £2,058,000, 2020 - £1,217,000).

28. 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 at 31 December 2022. The 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.

The assets and liabilities of the scheme at 31 December 2022 are:

Scheme assets at fair value:

	2022 £000	2021 £000
Corporate Bonds	4,243	7,923
Government Bonds	6,342	10,461
Liquidity funds	243	1,162
Cash	76	38
Fair value of scheme assets	10,904	19,584
Present value of scheme liabilities	(10,039)	(17,741)
Defined benefit pension scheme surplus	865	1,843
Effect of asset limitation	(865)	(1,843)
Net pension surplus on the balance sheet	-	-

The net surplus of £865,000 at 31 December 2022 (2021 - £1,843,000) 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 IFRS. The company made no deficit reduction contributions in 2022. 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 IFRS, 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:

	2022 £000	2021 £000
Benefit obligation at beginning of the year	17,741	16,954
Interest cost	309	242
Experience losses	-	-
Benefits paid	(800)	(270)
Changes in assumptions	(7,211)	815
Benefit obligation at 31 December 2022	10,039	17,741

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

	2022 £000	2021 £000
Fair value of scheme assets at beginning of the year	19,584	20,324
Expected return on scheme assets	341	291
Benefits paid	(800)	(270)
Actuarial gains	(8,221)	(761)
Fair value of scheme assets at 31 December 2022	10,904	19,584
	2022 £000	2021 £000
Net amount recognised	-	-

The contributions made by the employer over the financial year have been £nil (2021 - £nil). All costs of administering the scheme are paid by the company and are charged directly to the profit and loss as a business expense.

28. Pensions and other post-retirement benefits (continued)

	2022 £000	2021 £000
Current service cost	-	-
Interest income pension scheme assets (before asset limitation effect)	(341)	(291)
Interest income pension scheme assets (after asset limitation effect)	(309)	(242)
Interest on pension scheme liabilities	309	242
Net return (before asset limitation effect)	-	-
Net return (after asset limitation effect)	-	-

Taken to the statement of comprehensive income:

	2022 £000	2021 £000
Re-measurements (recognised in other comprehensive income (OCI))		
Actual return less interest income on pension scheme assets	8,221	761
Changes in assumptions underlying the present value of the scheme liabilities	(7,211)	815
Actuarial gain recognised in OCI	(1,010)	(1,576)
Effect of asset limitation	1,010	1,576
Total amount recognised in OCI	-	-

Recognised in the Group income statement

	2022 £000	2021 £000
Expected return on pension scheme assets	(341)	(291)
Interest on pension obligation	341	291
Net income	-	-

Main assumptions:

	2022	2021
Rate of increase in deferred pensions accrued pre 1 March 2002	3.62%	3.72%
Rate of increase in deferred pensions accrued post 1 March 2002	2.87%	3.11%
Rate of increase in pensions in deferment	2.77%	2.95%
Discount rate	4.93%	1.78%
Inflation assumption – RPI	3.07%	3.25%
Inflation assumption – CPI (pre 2030/post 2030)	2.25%/ 3.25%	2.25/3.25%

An expected rate of return on asset assumption is not required under IFRS, where the interest income on assets will be calculated using the discount rate assumption. The actual return on scheme assets during 2022 was a loss of £7,880,000, (2021 - £470,000).

Statutory pension increases or revaluations are 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:

	Male	Female
Rate of increase in deferred pensions accrued pre 1 March 2002	20.1	21.9
Rate of increase in deferred pensions accrued post 1 March 2002	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 2022 amounted to £163,000 (2021 – £43,000). The contributions paid into this scheme in the period were £686,000 (2021 - £511,000).

29. Related party transactions

During the period, the Group bought and sold fish in the normal course of business from both subsidiaries and other related parties of its ultimate parent undertakings. The price charged was the normal market price in the case of each individual purchase/sale. Transactions and intercompany accounts with subsidiaries and other related parties of Scottish Sea Farms Limited are as follows:

Group and company

2022	Ownership	Sales	Purchases	Receivables	Liabilities
Transactions with parent company and its related parties		£000	£000	£000	£000
Hallvard Leroy ASA	Leroy Seafood Group ASA (100%)	14,800	119	1,303	38
Salmar Sales ASA	Salmar ASA (100%)	4	-	4	-
Leroy Seafood Netherlands	Leroy Seafood Group ASA (100%)	1,223	-	-	-
Scale AQ (Norway)	Leroy Seafood Group ASA (100%)	-	213	-	-
Scale Aqua (UK Ltd)	Leroy Seafood Group ASA (100%)	-	1,365	-	99
Scale Aquaculture AS	Leroy Seafood Group ASA (100%)	-	7,307	-	-
Transactions with the group's own subsidiaries					
MJM Salmon Limited	Scottish Sea Farms limited (100%)	-	-	21	-
Ettrick Trout Co. Limited	Scottish Sea Farms limited (100%)	-	-	96	-
Scottish Sea Farms Sales Limited	Scottish Sea Farms limited (100%)	-	-	1	-
GSP Farms Limited	Scottish Sea Farms limited (100%)	-	-	6	623
Dury Salmon Limited	Scottish Sea Farms limited (100%)	-	-	48	-
Kerrera Fisheries Limited	Scottish Sea Farms limited (100%)	-	-	427	-
Terregles Salmon Co. Limited	Ettrick Trout Co. Limited (100%)	-	-	-	295
Orkney Sea Farms Limited	Ettrick Trout Co. Limited (100%)	-	-	21,414	-
SSF Hjatland UK Limited	Scottish Sea Farms limited (100%)	-	-	56	-
SSF Shetland Limited	SSF Hjatland UK Limited (100%)	95,524	80,195	6,030	65,308
Total transactions and intercompany accounts with all identified related parties		111,551	89,199	29,406	66,363

2021	Ownership	Sales	Purchases	Receivables	Liabilities
Transactions with parent company and its related parties		£000	£000	£000	£000
Hallvard Leroy ASA	Leroy Seafood Group ASA (100%)	14,685	229	386	-
Leroy Seafood Netherlands	Leroy Seafood Group ASA (100%)	799	-	-	-
Scale AQ (Norway) via Poland	Leroy Seafood Group ASA (100%)	-	-	-	-
Scale Aqua (UK Ltd)	Leroy Seafood Group ASA (100%)	-	-	-	-
Scale Aquaculture AS	Leroy Seafood Group ASA (100%)	-	2,025	-	78
Transactions with the group's own subsidiaries					
MJM Salmon Limited	Scottish Sea Farms limited (100%)	-	-	21	-
Ettrick Trout Co. Limited	Scottish Sea Farms limited (100%)	-	-	96	-
Scottish Sea Farms Sales Limited	Scottish Sea Farms limited (100%)	-	-	1	-
GSP Farms Limited	Scottish Sea Farms limited (100%)	-	-	6	623
Dury Salmon Limited	Scottish Sea Farms limited (100%)	-	-	48	-
Kerrera Fisheries Limited	Scottish Sea Farms limited (100%)	-	-	427	-
Terregles Salmon Co. Limited	Ettrick Trout Co. Limited (100%)	-	-	-	295
Orkney Sea Farms Limited	Ettrick Trout Co. Limited (100%)	-	-	21,414	-
SSF Hjatland UK Limited	Scottish Sea Farms limited (100%)	-	-	56	0
SSF Shetland Limited	SSF Hjatland UK Limited (100%)	1,503	246	354	125,734
Total transactions and intercompany accounts with all identified related parties		16,987	2,500	22,809	126,730

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.

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.

30. First-time IFRS adoption reconciliations:

These financial statements, for the year ended 31 December 2022, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 2 January 2022, the Group prepared its financial statements in accordance with FRS102.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 December 2022, together with the comparative information for the year ended 2 January 2022. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 3 January 2021, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its FRS 102 financial statements, including the statement of financial position as at 3 January 2021 and the financial statements as of, and for, the year ended 31 December 2022.

IFRS allows first-time adopters certain exemptions from the retrospective application of certain requirements. The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 3 January 2021. Use of this exemption means that the Local GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise any assets or liabilities that were not recognised under the Local GAAP or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the Local GAAP carrying amount of goodwill and indefinite life intangible assets must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill or indefinite life intangible assets at 3 January 2021:

- The Group assessed all contracts existing at 3 January 2021 to determine whether a contract contains a lease based upon the conditions in place as at 3 January 2021.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 3 January 2021. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 3 January 2021. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

Biological assets were previously valued at the lower of cost or net realisable value, under IFRS they are now valued at fair value as per the revised accounting policy.

An incremental borrowing rate has been adopted in the determination under IFRS 16 leases in the associated lease liability calculations for interest. Right of use assets and lease liabilities are now valued as per the revised policy under IFRS where they were previously capitalised and depreciated over their useful lives.

Reconciliations between previous GAAP and IFRS

IFRS requires an entity to reconcile equity for prior periods. The following tables represent the reconciliations from previous GAAP to IFRS:

Group reconciliation of equity as at 3 January 2021

		Local GAAP Reclassific ation	Reclassif ication and Remeasu rements	IFRS as at 3 January 2021
Assets	Notes	£000	£000	£000
Non-current assets				
Property, plant and equipment	10	102,724	-	102,724
Right-of-use-assets	11	-	149	149
Intangible assets and goodwill	9	3,550	968	4,518
Total non-current assets		106,274	1,117	107,391
Current assets				
Inventories	14	3,317	-	3,317
Biological assets	15	92,678	(142)	92,536
Income Tax receivable	8	-	-	-
Trade receivables and other assets	16	15,165	(1,141)	14,024
Total current assets		111,160	(1,283)	109,877
Total assets		217,434	(166)	217,268
Equity and liabilities				
Non-current liabilities				
Loans and borrowings	18	3,529	-	3,529
Lease liabilities	11	-	117	117
Other financial liabilities	19	2,759	-	2,759
Deferred tax liability	20	4,971	(38)	4,933
Government grants	22	878	-	878
Total non-current liabilities		12,137	79	12,216
Current liabilities				
Trade and other payables	17	15,308	25	15,333
Loans and borrowings	18	84,389	-	84,389
Lease liabilities	11	-	32	32
Other financial liabilities	19	18,105	9	18,114
Social Security		983	-	983
Government Grants	22	205	-	205
Total current liabilities		118,990	66	119,056
Total liabilities		131,127	145	131,272
Net assets		86,307	(311)	85,996
Equity attributable to equity holders of the parent				
Share capital	23	21,400	-	21,400
Share premium	24	1,600	-	1,600
Cash flow hedge reserve	21	-	-	-
Retained earnings		63,307	(311)	62,996
Total equity		86,307	(311)	85,996

Group reconciliation of equity as at 2 January 2022

		Local GAAP Reclassific ation	Reclassif ication and Remeasu rements	IFRS as at 2 January 2022
Assets	Notes	£000	£000	£000
Non-current assets				
Property, plant and equipment	10	121,170	-	121,170
Right-of-use-assets	11	-	18,818	18,818
Intangible assets and goodwill	9	123,069	1,960	125,029
Total non-current assets		244,239	20,778	265,017
Current assets				
Inventories	14	4,942	-	4,942
Biological assets	15	119,546	21	119,567
Income Tax receivable	8	3,073	-	3,073
Trade receivables and other assets	16	33,579	(559)	33,020
Total current assets		161,140	(538)	160,602
Total assets		405,379	20,240	425,619
Equity and liabilities				
Non-current liabilities				
Loans and borrowings	18	165,817	-	165,817
Lease liabilities	11	-	9,777	9,777
Other financial liabilities	19	2,377	-	2,377
Deferred tax liability	20	19,588	270	19,858
Government grants	22	1,549	-	1,549
Total non-current liabilities		189,331	10,047	199,378
Current liabilities				
Trade and other payables	17	26,862	-	26,862
Loans and borrowings	18	19,034	-	19,034
Lease liabilities	11	-	9,120	9,120
Other financial liabilities	19	16,874	(30)	16,844
Social Security		1,043	-	1,043
Government Grants	22	327	-	327
Total current liabilities		64,140	9,090	73,230
Total liabilities		253,471	19,137	272,608
Net assets		151,908	1,103	153,011
Equity attributable to equity holders of the parent				
Share capital	23	71,400	-	71,400
Share premium	24	1,600	-	1,600
Cash flow hedge reserve	21	-	-	-
Other reserve		-	2,436	2,436
Retained earnings		78,908	(1,333)	77,575
Total equity		151,908	1,103	153,011

Group reconciliation of statement of profit or loss for the period ended 2 January 2022

	Notes	Local GAAP Reclassific ation £000	Reclassific ation and Remeasure ments £000	IFRS as at 2 January 2022 £000
Continuing operations				
Revenue from contract with customers	2	198,923	(3,690)	195,233
Cost of sales		(164,805)	6,465	(158,340)
Gross profit		34,118	2,775	36,893
Distribution costs		(9,421)	-	(9,421)
Administrative expenses		(4,138)	(5,008)	(9,146)
Net impairment reversals on financial and contract assets		-	646	646
Other income	3	-	3,890	3,890
Other operating expenses		-	(401)	(401)
Operating profit	4	20,559	1,902	22,461
Finance income	7	3	-	3
Finance costs	7	(1,587)	(180)	(1,767)
Profit before tax from continuing operations		18,975	1,722	20,697
Income tax (expense)	8	(5,809)	(309)	(6,118)
Profit for the year from continuing operations		13,166	1,413	14,579

Group reconciliation of statement of comprehensive income for the period ended 2 January 2022

	Notes	Local GAAP Reclassif ication £000	Reclassif ication and Remeasu rements £000	IFRS as at 2 January 2022 £000
Profit for the financial year		13,166	1,413	14,579
Other comprehensive income		-	-	-
Items that will not be reclassified to profit or loss		-	-	-
Actuarial gain on defined benefit pension scheme, net of taxation	28	(1,576)	-	(1,576)
Restriction of defined benefit pension scheme surplus	28	1,576	-	1,576
Other comprehensive income/ (loss) for the period, net of tax		-	-	-
Total comprehensive income for the period		13,166	1,413	14,579

31. Prior year adjustment

During the current year prior period adjustments were identified in company financial statements and notes to the accounts. Investments in the company were not written down within amounts owed to subsidiary undertakings for the sum of £6,500k in Scottish Sea Farms company. Assets transferred from subsidiaries were not reflected in the company financial statements for the value of £2,257k, alongside incorrect classification of goodwill and property, plant and equipment for the value of £1,311k. Intercompany loans and balances have been written down in prior years and need to be written off in amounts owed to subsidiary undertakings by £3,839k in Scottish Sea Farms company.

Company

Statement of Financial Position (extract)	Originally reported	Adjustments	Restated 2020
	£000	£000	£000
Non-current assets			
Property, plant and equipment	101,778	946	102,724
Right-of-use assets	149	-	149
Intangible assets and goodwill	3,264	1,311	4,575
Investments in subsidiaries	6,500	(6,500)	-
Total non-current assets	111,691	(4,243)	107,448
Current assets	£000	£000	£000
Inventories	3,317	-	3,317
Biological assets	92,536	-	92,536
Income Tax receivable	-	-	-
Trade receivables and current other assets	13,998	918	14,916
Total current assets	109,851	918	110,769
Current liabilities	£000	£000	£000
Trade and other payables	47,217	(9,421)	37,796
Loans and borrowings	84,389	-	84,389
Lease liabilities	32	-	32
Other current financial liabilities	18,111	-	18,111
Social Security	984	-	984
Government Grants	205	-	205
Total current liabilities	150,938	(9,421)	141,517
Equity attributable to equity holders of the parent	£000	£000	£000
Share capital and share premium	21,400	-	21,400
Share premium	1,600	-	1,600
Cash flow hedge reserve	-	-	-
Retained earnings	35,388	6,096	41,484
Total equity	58,388	6,096	64,484
Notes to the financial statements (extract)	Originally reported	Adjustments	Restated 2020
	£000	£000	£000
9. Intangible assets and goodwill			
Cost			
Goodwill	8,064	1,311	9,375
Sites	2,320	-	2,320
Total	10,384	1,311	11,695
Amortisation			
Goodwill	6,091	-	6,091
Sites	1,029	-	1,029
Total	7,120	-	7,120
Net book value			
Goodwill	1,973	1,311	3,284
Sites	1,291	-	1,291
Total	3,264	1,311	4,575

31. Prior year adjustment (continued)

Notes to the financial statements (extract)	Originally reported £000	Adjustments £000	Restated 2020 £000
10. Property, plant and equipment			
Cost			
Freehold land and buildings	41,008	1,298	42,306
Buildings and leasehold land	1,099	-	1,099
Machinery and equipment	157,726	12,421	170,147
Motor vehicles	3,621	286	3,907
Assets under construction	2,235	-	2,235
Total	205,689	14,005	219,694
Amortisation			
Freehold land and buildings	5,413	213	5,626
Buildings and leasehold land	1,099	-	1,099
Machinery and equipment	94,362	12,559	106,921
Motor vehicles	3,037	287	3,324
Assets under construction	-	-	-
Total	103,911	13,059	116,970
Net book value			
Freehold land and buildings	35,595	1,085	36,680
Buildings and leasehold land	-	-	-
Machinery and equipment	63,364	(138)	63,226
Motor vehicles	584	(1)	583
Assets under construction	2,235	-	2,235
Total	101,778	946	102,724
12. Investments			
Share of net assets/cost			
Opening balance	6,500	(6,500)	-
Additions in year	-	-	-
Closing balance	6,500	(6,500)	-

The restated investment has been split on the statement of financial position between loans and investments.

	Originally reported £000	Adjustments £000	Restated 2020 £000
16. Trade receivables and other assets			
Current assets			
Trade receivables from third party customers	9,451	-	9,451
Loss allowance on trade receivables	(1,086)	-	(1,086)
Contract assets	1,526	-	1,526
Loss allowance on contracts assets	(83)	-	(83)
Prepayments	3,126	-	3,126
Other financial assets	-	-	-
Amounts owed by ultimate parent undertakings	944	-	944
Amounts owed by subsidiary undertakings	-	918	918
Other receivables	120	-	120
	13,998	918	14,916
17. Trade and other payables			
Current Liabilities			
Trade Payables	15,308	-	15,308
Amounts owed to ultimate parent undertakings	-	-	-
Amounts owed to subsidiary undertakings	31,909	(9,421)	22,488
Other payables	-	-	-
	47,217	(9,421)	37,796

31. Prior year adjustment (continued)

Company

Statement of Financial Position (extract)	Originally reported	Adjustments	Restated 2021
	£000	£000	£000
Non-current assets			
Property, plant and equipment	96,665	946	97,611
Right-of-use assets	18,818	-	18,818
Intangible assets and goodwill	3,264	1,311	4,575
Investments in subsidiaries	179,063	(6,500)	172,563
Total non-current assets	297,810	(4,243)	293,567
Current assets	£000	£000	£000
Inventories	2,628	-	2,628
Biological assets	81,455	-	81,455
Income Tax receivable	1,483	-	1,483
Trade receivables and current other assets	25,922	(25)	25,897
Total current assets	111,488	(25)	111,463
Current liabilities	£000	£000	£000
Trade and other payables	50,407	(10,364)	40,043
Loans and borrowings	23,584	-	23,584
Lease liabilities	9,120	-	9,120
Other current financial liabilities	16,823	-	16,823
Social Security	855	-	855
Government Grants	231	-	231
Total current liabilities	101,020	(10,364)	90,656
Equity attributable to equity holders of the parent	£000	£000	£000
Share capital and share premium	71,400	-	71,400
Share premium	1,600	-	1,600
Cash flow hedge reserve	-	-	-
Retained earnings	49,462	6,096	55,558
Total equity	122,462	6,096	128,558
Notes to the financial statements (extract)	Originally reported	Adjustments	Restated 2021
	£000	£000	£000
9. Intangible assets and goodwill			
Cost			
Goodwill	8,064	1,311	9,375
Sites	2,320	-	2,320
Total	10,384	1,311	11,695
Amortisation			
Goodwill	6,091	-	6,091
Sites	1,029	-	1,029
Total	7,120	-	7,120
Net book value			
Goodwill	1,973	1,311	3,284
Sites	1,291	-	1,291
Total	3,264	1,311	4,575

31. Prior year adjustment (continued)

Notes to the financial statements (extract)	Originally reported	Adjustments	Restated
	£000	£000	2021 £000
10. Property, plant and equipment			
Cost			
Freehold land and buildings	40,903	1,298	42,201
Buildings and leasehold land	1,099	-	1,099
Machinery and equipment	162,108	12,421	174,529
Motor vehicles	3,701	286	3,987
Assets under construction	4,594	-	4,594
Total	212,405	14,005	226,410
Amortisation			
Freehold land and buildings	6,614	213	6,827
Buildings and leasehold land	1,099	-	1,099
Machinery and equipment	104,772	12,559	117,331
Motor vehicles	3,255	287	3,542
Assets under construction	-	-	-
Total	115,740	13,059	128,799
Net book value			
Freehold land and buildings	34,289	1,085	35,374
Buildings and leasehold land	-	-	-
Machinery and equipment	57,335	(138)	57,197
Motor vehicles	447	(1)	446
Assets under construction	4,594	-	4,594
Total	96,665	946	97,611

	Originally reported	Adjustments	Restated
	£000	£000	2021 £000
12. Investments			
Share of net assets/cost			
Opening balance	6,500	(6,500)	-
Additions in year	172,563	-	172,563
Closing balance	179,063	(6,500)	172,563

The restated investment has been split on the statement of financial position between loans and investments.

	Originally reported	Adjustments	Restated
	£000	£000	2021 £000
16. Trade receivables and other assets			
Current assets			
Trade receivables from third party customers	8,187	-	8,187
Loss allowance on trade receivables	(339)	-	(339)
Contract assets	4,111	-	4,111
Loss allowance on contracts assets	-	-	-
Prepayments	5,061	-	5,061
Other financial assets	-	-	-
Amounts owed by ultimate parent undertakings	386	-	386
Amounts owed by subsidiary undertakings	5,846	(25)	5,821
Other receivables	2,670	-	2,670
Total	25,922	(25)	25,897

	Originally reported	Adjustments	Restated
	£000	£000	2021 £000
17. Trade and other payables			
Current Liabilities			
Trade Payables	18,420	-	18,420
Amounts owed to ultimate parent undertakings	78	-	78
Amounts owed to subsidiary undertakings	31,909	(10,364)	21,545
Other payables	-	-	-
Total	50,407	(10,364)	40,043