

Company Registration No. SC104544 (Scotland)

ZEPHYR FISHING CO. LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020



ZEPHYR FISHING CO. LIMITED

COMPANY INFORMATION

Directors	A R Irvine B Irvine J A Irvine J H Simpson
Secretary	A R Irvine
Company number	SC104544
Registered office	Mair's Quay Holmsgarth Lerwick Shetland ZE1 0PW
Auditor	RSM UK Audit LLP Chartered Accountants St Olaf's Hall Church Road Lerwick Shetland Isles ZE1 0FD
Bankers	Clydesdale Bank plc 106 Commercial Street Lerwick Shetland ZE1 0JJ Scotland
Solicitors	Mackinnons 14 Carden Place Aberdeen Scotland AB10 1UR

ZEPHYR FISHING CO. LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present the strategic report for the year ended 30 June 2020.

Fair review of the business

The directors report a profit for the year ended 30 June 2020 of £3,771,444 (2019 - loss £299,026).

Principal risks and uncertainties

Listed below are the principal risks and uncertainties of the company and also financial risk management objectives, policies and exposure to financial risks.

Business Risk and Risk Management

The company carries out an annual risk assessment on all areas of the business then mitigates risk through internal procedures or insures against risk.

Quota Risk

The main risk facing the business is the loss of quota. This is mitigated by keeping in contact with the fisheries' authorities and lobbying for quota through the local fish producers organisation.

Price Risk

The value per tonne of fish varies from season to season. Discussions are held at the start of each season with buyers to determine the price and an assessment made at that point on whether to fish at the start or towards the end of the season to gain the best price possible. A significant element of costs is related to price achieved, so a change in price will directly impact on those costs. This mitigates the impact of fish price fluctuations on the profitability of the company.

Credit/Liquidity/Cashflow Risk

Financing for larger projects is undertaken through bank loan finance which spreads the risk of cashflow fluctuations.

Key performance indicators

	2020	2019
Turnover	£11,023,004	£3,867,491
Operating profit %	51%	39%
EBITDA	£7,115,199	£1,546,723
Net profit/(loss) after tax	£3,771,444	£(299,026)
Capital expenditure		
- Tangible assets	£10,764,210	£7,039,017
- Intangible assets	£156,380	£151,584
Shareholders' funds	£31,405,433	£28,033,989

On behalf of the board



A R Irvine
Director

22 January 2021

ZEPHYR FISHING CO. LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the company continued to be that of deep sea fishing.

Covid-19 and Brexit

In March 2020, the World Health Organisation formally recognised COVID-19, the novel strain of coronavirus, as a pandemic. The United Kingdom has left the European Union and the transition period came to an end on the 31 December 2020. There are current uncertainties in the global economy and volatility in markets related to the COVID-19 outbreak and end of the Brexit transition period, in particular in relation to quota regulation going forward. The directors have considered the possible scenarios for quota and pricing and are confident that in all reasonably likely outcomes the expected cash flows will be sufficient to meet obligations as they fall due and to remain compliant with covenants. Bank term facilities are secure to 2024. It is the opinion of the directors that the company is a going concern. Accordingly, the financial statements do not include any adjustments that would result from the going concern basis not being appropriate.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A R Irvine
B Irvine
J A Irvine
J H Simpson

Results and dividends

The results for the year are set out on page 7.

The directors recommended a dividend of £400,000 (2019 - £Nil) during the year.

Future developments

The company's continued strategy is to maximise quota available and favourably exploit market trading conditions. The company took delivery of a new vessel in September 2019.

Auditor

The auditor, RSM UK Audit LLP, has indicated its willingness to continue in office.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Information presented in the strategic report


The company has chosen, in accordance with s414c(11) of the Companies Act, to set out in the company's strategic report the following information which would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008' to be contained in the directors' report:

- Financial risk management objectives and policies
- Details of exposure to price risk, credit risk, liquidity and cash flow risk

ZEPHYR FISHING CO. LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

On behalf of the board

A handwritten signature in black ink, appearing to read 'A R Irvine', with a stylized flourish at the end.

A R Irvine
Director

22 January 2021

ZEPHYR FISHING CO. LIMITED


DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEPHYR FISHING CO. LIMITED

Opinion

We have audited the financial statements of Zephyr Fishing Co. Limited (the 'company') for the year ended 30 June 2020 which comprise the statement of income and retained earnings, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 company 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEPHYR FISHING CO. LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 4, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.



Irene Hambleton BAcc CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Olaf's Hall
Church Road
Lerwick
Shetland Isles, ZE1 0FD

1 February 2021

ZEPHYR FISHING CO. LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £	2019 £
Turnover	3	11,023,004	3,867,491
Raw materials and consumables		(490,589)	(250,151)
Other external expenses		(2,992,821)	(1,743,606)
Depreciation	5	(1,478,794)	(26,095)
Other operating expenses		(424,395)	(327,011)
Operating profit/(loss)	5	5,636,405	1,520,628
Interest receivable and similar income	7	-	16
Interest payable and similar expenses	8	(254,442)	(21,494)
Other gains and losses	9	(83,690)	-
(Loss) on disposal of fixed assets		-	(2,238,871)
Fair value gains and losses on foreign exchange contracts		(356,183)	255,642
Profit/(loss) before taxation		4,942,090	(484,079)
Tax on profit/(loss)	10	(1,170,646)	185,053
Profit/(loss) for the financial year		3,771,444	(299,026)
Retained earnings brought forward		27,968,989	28,268,015
Dividends	11	(400,000)	-
Retained earnings carried forward		31,340,433	27,968,989

ZEPHYR FISHING CO. LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	12	11,999,952		11,843,572	
Tangible assets	13	28,989,932		19,704,516	
		<u>40,989,884</u>		<u>31,548,088</u>	
Current assets					
Debtors	14	166,311		549,594	
Cash at bank and in hand		3,701,103		1,003	
		<u>3,867,414</u>		<u>550,597</u>	
Creditors: amounts falling due within one year	15	<u>(2,434,583)</u>		<u>(2,183,895)</u>	
Net current assets/(liabilities)		<u>1,432,831</u>		<u>(1,633,298)</u>	
Total assets less current liabilities		<u>42,422,715</u>		<u>29,914,790</u>	
Creditors: amounts falling due after more than one year	16	(8,666,667)		-	
Provisions for liabilities	19	<u>(2,350,615)</u>		<u>(1,880,801)</u>	
Net assets		<u><u>31,405,433</u></u>		<u><u>28,033,989</u></u>	
Capital and reserves					
Called up share capital	21	52,000		52,000	
Capital redemption reserve	22	13,000		13,000	
Profit and loss reserves	22	31,340,433		27,968,989	
Total equity		<u><u>31,405,433</u></u>		<u><u>28,033,989</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 22 January 2021 and are signed on its behalf by:



A R Irvine
Director

ZEPHYR FISHING CO. LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	23	7,979,107		5,996,317	
Interest paid		(254,442)		(21,494)	
Income taxes paid		-		(1,294,103)	
Net cash inflow from operating activities		<u>7,724,665</u>		<u>4,680,720</u>	
Investing activities					
Purchase of intangible assets		(156,380)		(151,584)	
Purchase of tangible fixed assets		(10,801,618)		(10,746,393)	
Proceeds on disposal of tangible fixed assets		-		4,207,500	
Interest received		-		16	
Net cash used in investing activities		<u>(10,957,998)</u>		<u>(6,690,461)</u>	
Financing activities					
Proceeds of new bank loans		10,000,000		-	
Repayment of bank loans		(2,666,567)		1,999,900	
Dividends paid		(400,000)		-	
Net cash generated from financing activities		<u>6,933,433</u>		<u>1,999,900</u>	
Net increase/(decrease) in cash and cash equivalents		<u>3,700,100</u>		<u>(9,841)</u>	
Cash and cash equivalents at beginning of year		1,003		10,844	
Cash and cash equivalents at end of year		<u><u>3,701,103</u></u>		<u><u>1,003</u></u>	

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

Company information

Zephyr Fishing Co. Limited is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Mair's Quay, Holmsgarth, Lerwick, Shetland, ZE1 0PW.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Going concern

In March 2020, the World Health Organisation formally recognised COVID-19, the novel strain of coronavirus, as a pandemic. The United Kingdom has left the European Union and the transition period came to an end on the 31 December 2020. There are current uncertainties in the global economy and volatility in markets related to the COVID-19 outbreak and end of the Brexit transition period, in particular in relation to quota regulation going forward. The directors have considered the possible scenarios for quota and pricing and are confident that in all reasonably likely outcomes the expected cash flows will be sufficient to meet obligations as they fall due and to remain compliant with covenants. Bank term facilities are secure to 2024. It is the opinion of the directors that the company is a going concern. Accordingly, the financial statements do not include any adjustments that would result from the going concern basis not being appropriate.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. Turnover is shown net of Value Added Tax.

Fish sales

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is generally when fish has been landed and sold at the fish processor.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values evenly over their useful lives on the following bases:

Fishing licences and FQA's	20 years
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Fishing licences and FQA's are written off evenly over 20 years as in the opinion of the directors this represents the best estimate of the useful life of the assets.

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values evenly over their useful lives on the following bases:

Short leasehold property	20 years
Boat	20 years
Nets and gear	3 years
Electronics and equipment	4 - 5 years
Plant and machinery	5 years

Assets in the course of construction are not depreciated until brought into use.

In the year of acquisition assets costing in excess of £150,000 are depreciated on a pro rata basis from the month of acquisition.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Cash and cash equivalents

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

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Other financial assets, which are interest rate collars, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies (Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign exchange

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Other exchange differences are included in operating profit.

Leases

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider that no judgements (apart from those involving estimates) are used which are critical to the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Fixed assets - useful lives and residual values

Management have to make estimates of the useful economic lives and residual values of tangible fixed assets and intangible fixed assets including fishing licences and fishing quota (Fixed Quota Allocation units - FQA's). These estimates affect the depreciation charge and the carrying value of fixed assets which are shown in the notes to the financial statements. The directors believe that the residual value of the fishing licences and FQA's held is higher than the carrying value of the licences, therefore the licences have not been amortised in the year.

On an annual basis management review indicators to assess whether the residual value or useful life has changed. These indicators include factors such as a change in how an intangible asset is used, technological advancement, and changes in market prices. Only if these factors indicate a change in useful life or residual value do previous accounting estimates need to be reviewed.

3 Turnover and other revenue

The turnover and profit before tax are attributable to the principal area of activity of the company, deep sea fishing.

The directors consider that disclosure of the company's geographical markets could be seriously prejudicial to its interests.

4 Employees

Share fishermen are self-employed and by concession their crew share is charged to tax as trading profits under Part 2 of Income Tax (Trading and Other Income) Act 2005, therefore the company has no employees.

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

5 Operating profit/(loss)

	2020 £	2019 £
Operating profit/(loss) for the year is stated after charging:		
Exchange losses	-	131,485
Fees payable to the company's auditor for the audit of the company's financial statements	11,915	11,360
Depreciation of owned tangible fixed assets	1,478,794	26,095
	<u>1,488,709</u>	<u>138,940</u>

Also included in other external charges are operating lease charges of £45,126 (2019 - £10,395).

6 Loss on disposal of fixed assets

The company sold its fishing vessel in the prior year producing a loss on disposal of £2,238,871.

7 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	-	16
	<u>-</u>	<u>16</u>

8 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	248,092	3,123
Other finance costs:		
Other interest	6,350	18,371
	<u>254,442</u>	<u>21,494</u>

9 Other gains and losses

	2020 £	2019 £
Other gains and losses	(83,690)	-
	<u>(83,690)</u>	<u>-</u>

10 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	700,832	-
	<u>700,832</u>	<u>-</u>

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

10 Taxation (Continued)

Deferred tax		
Origination and reversal of timing differences	469,814	(185,053)
	<u> </u>	<u> </u>
 Total tax charge/(credit)	 1,170,646	 (185,053)
	<u> </u>	<u> </u>
	2020	2019
	£	£
 Profit/(loss) before taxation	 4,942,090	 (484,079)
	<u> </u>	<u> </u>
 Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	 938,997	 (91,975)
Tax effect of expenses that are not deductible in determining taxable profit	12,645	-
Fixed asset differences	3,447	3,447
Deferred tax measured at different rates	215,557	(99,634)
Deferred tax not recognised	-	3,109
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	1,170,646	(185,053)
	<u> </u>	<u> </u>

11 Dividends

	2020	2019
	£	£
 Final paid	 400,000	 -
	<u> </u>	<u> </u>

12 Intangible fixed assets

	Fishing licences and FQA's
	£
Cost	
At 1 July 2019	11,843,572
Additions	156,380
	<u> </u>
At 30 June 2020	11,999,952
	<u> </u>
Carrying amount	
At 30 June 2020	11,999,952
	<u> </u>
At 30 June 2019	11,843,572
	<u> </u>

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

13 Tangible fixed assets

	Short leasehold property	Assets under construction	Boat	Nets and gear	Electronics and equipment	Plant and machinery	Total
	£	£	£	£	£	£	£
Cost							
At 1 July 2019	491,389	19,304,237	-	-	-	22,809	19,818,435
Additions	-	9,218,513	-	314,821	1,230,876	-	10,764,210
Transfers	-	(28,522,750)	27,471,658	-	1,051,092	-	-
At 30 June 2020	491,389	-	27,471,658	314,821	2,281,968	22,809	30,582,645
Depreciation and impairment							
At 1 July 2019	103,795	-	-	-	-	10,124	113,919
Depreciation charged in the year	21,533	-	1,030,187	78,697	343,815	4,562	1,478,794
At 30 June 2020	125,328	-	1,030,187	78,697	343,815	14,686	1,592,713
Carrying amount							
At 30 June 2020	366,061	-	26,441,471	236,124	1,938,153	8,123	28,989,932
At 30 June 2019	387,594	19,304,237	-	-	-	12,685	19,704,516

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

13 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	2020 £	2019 £
Short leasehold	366,061	387,594

Also included is freehold land and buildings which has been fully depreciated and is held at nil net book value.

14 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	114,985	147,467
Derivative financial instruments	-	255,642
Other debtors	1,244	53,769
Prepayments and accrued income	50,082	92,716
	<u>166,311</u>	<u>549,594</u>

15 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	17	666,666	1,999,900
Corporation tax		700,832	-
Other taxation and social security		-	92
Derivative financial instruments		146,823	-
Accruals and deferred income		920,262	183,903
		<u>2,434,583</u>	<u>2,183,895</u>

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

16 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	17	8,666,667	-

Bank loans and overdrafts are secured by:

- Deed of Assignment and Covenant in connection with the rights, title and interest (but not the obligations) over the ship, insurances, fishing licences, fishing rights, all earnings and any requisition compensation
- Three floating charges over the assets and undertakings of the company
- Deed of Undertakings (incorporation Assignment) over the vessel, licences, quotas etc
- 64/64 shares in vessel Zephyr and its appurtenances containing negative pledge
- Deed of covenant collateral to a ship mortgage containing fixed charge and negative pledge
- Assignment in security (ship insurances) containing fixed charge and negative pledge
- Assignment in security (earnings, fishing licences and fishing rights) containing fixed charge and negative pledge

17 Borrowings

	2020 £	2019 £
Bank loans	9,333,333	1,999,900
Payable within one year	666,666	1,999,900
Payable after one year	8,666,667	-

18 Financial instruments

	2020 £	2019 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	114,985	175,467
Instruments measured at fair value through profit or loss	-	255,642
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	146,823	-
Measured at amortised cost	10,253,595	2,183,803

Foreign currency options

During 2019 the company had a contract for the construction of a new vessel and payments were in Norwegian Kroner. As a consequence the Company used foreign currency options to manage the foreign exchange risk of future transactions and cash flows.

The contracts were valued based on available market data. The Company did not adopt hedge accounting for foreign currency options and, consequently, fair value gains and losses were recognised in profit or loss.

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

19 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	20	2,350,615	1,880,801

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	2,378,512	1,837,765
Tax losses	-	(5,536)
Short term differences	(27,897)	48,572
	<u>2,350,615</u>	<u>1,880,801</u>
Movements in the year:		2020 £
Liability at 1 July 2019		1,880,801
Charge to profit or loss		469,814
Liability at 30 June 2020		<u>2,350,615</u>

The amount of the deferred tax asset that is expected to reverse within 12 months is £nil (2019 - £5,536) and relates to the utilisation of tax losses against future expected profits of the same period. The amount of the deferred tax liability that is expected to reverse within 12 months is £177,058 (2019 - £23,056) and relates to accelerated capital allowances and short term timing differences that are expected to mature within the same period.

The expected net reversal is therefore a increase of £177,058 (2019 - decrease £17,520).

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

21 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
52,000 Ordinary shares of £1 each	52,000	52,000
	<u>52,000</u>	<u>52,000</u>

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

22 Reserves

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

23 Cash generated from operations

	2020 £	2019 £
Profit/(loss) for the year after tax	3,771,444	(299,026)
Adjustments for:		
Taxation charged/(credited)	1,170,646	(185,053)
Finance costs	254,442	21,494
Investment income	-	(16)
Loss on disposal of tangible fixed assets	-	2,238,871
Fair value gains and losses on foreign exchange contracts and investment properties	356,183	(255,642)
Depreciation and impairment of tangible fixed assets	1,478,794	26,095
Other gains and losses	83,690	-
Movements in working capital:		
Decrease in debtors	127,641	6,347,355
Increase/(decrease) in creditors	736,267	(1,897,761)
Cash generated from operations	<u>7,979,107</u>	<u>5,996,317</u>

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

24 Analysis of changes in net debt

	1 July 2019 £	Cash flows £	30 June 2020 £
Cash at bank and in hand	1,003	3,700,100	3,701,103
Borrowings excluding overdrafts	(1,999,900)	(7,333,433)	(9,333,333)
	<u>(1,998,897)</u>	<u>(3,633,333)</u>	<u>(5,632,230)</u>

25 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	45,126	8,700
Between one and five years	180,504	34,800
In over five years	391,042	363,225
	<u>616,672</u>	<u>406,725</u>

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £	2019 £
Acquisition of tangible fixed assets	-	9,096,045
	<u>-</u>	<u>9,096,045</u>

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2020 £	2019 £
Aggregate compensation	<u>637,815</u>	<u>191,296</u>

The key management personnel are the directors of the company who are also crew members of the boat. Share fishermen are self-employed and by concession their crew share is charge to tax as trading profits under Part 2 of Income Tax (Trading and Other Income) Act 2005.

Dividends paid to directors totalled £360,000 (2019 - £Nil).

ZEPHYR FISHING CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

27 Related party transactions (Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Crew share 2020 £	2019 £
Other related parties	637,815	127,531

These are related parties of the company because they are close family members of the directors.