

Company Registration No. SC104544 (Scotland)

**ZEPHYR FISHING CO. LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2022**

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# **ZEPHYR FISHING CO. LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	A R Irvine B Irvine J A Irvine J H Simpson
<b>Secretary</b>	A R Irvine
<b>Company number</b>	SC104544
<b>Registered office</b>	Mair's Quay Holmsgarth Lerwick Shetland ZE1 0PW
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 52-54 Queen's Road Aberdeen AB15 4YE
<b>Bankers</b>	Clydesdale Bank plc 106 Commercial Street Lerwick Shetland ZE1 0JJ Scotland
<b>Solicitors</b>	Mackinnons 14 Carden Place Aberdeen Scotland AB10 1UR

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# ZEPHYR FISHING CO. LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2022

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The directors present their annual report and financial statements for the year ended 30 June 2022.

#### Principal activities

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

#### Results and dividends

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

The directors recommended a dividend of £2,080,000 (2021 - £1,000,000 ) during the year.

#### 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

#### Future developments

The company's continued strategy is to maximise quota available and favourably utilise market trading conditions.

#### 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

On behalf of the board



A R Irvine  
Director

Date: 01/03/2023

# ZEPHYR FISHING CO. LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

#### Fair review of the business

The directors report a profit for the year ended 30 June 2022 of £4,007,890 (2021 - £2,379,810 ).

The profitability of the company has increased due to better prices for all species caught.

#### 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.

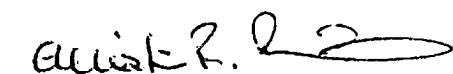
#### Credit/Liquidity/Cashflow Risk

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

#### Key performance indicators

	2022	2021
Turnover	£11,401,031	£9,774,125
Operating profit %	44%	41%
EBITDA	£6,989,948	£5,995,820
Net profit/(loss) after tax	£4,007,890	£2,379,810
Capital expenditure		
- Tangible assets	-	-
- Intangible assets	-	-
Shareholders' funds	£34,713,133	£32,785,243

On behalf of the board



A R Irvine  
Director

Date: 01/03/2023

# **ZEPHYR FISHING CO. LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2022**

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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**

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## **Opinion**

We have audited the financial statements of Zephyr Fishing Co. Limited (the 'company') for the year ended 30 June 2022 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 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 2022 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**

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **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 our 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 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)**

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### **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 or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 3 of the draft accounts, 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

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

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As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from our internal tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to fishing regulations. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates applied in relation to residual value and useful economic life of fixed assets.

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.: <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.

*Grant Morrison*

Grant Morrison CA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
52-54 Queen's Road  
Aberdeen  
AB15 4YE

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03/03/23



# ZEPHYR FISHING CO. LIMITED

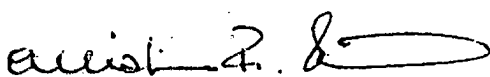
## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £	2021 £
Turnover	3	11,401,031	9,774,125
Other operating income	3	-	2,000
Raw materials and consumables		(494,681)	(224,830)
Other external expenses		(3,591,687)	(3,211,834)
Depreciation	5	(1,960,000)	(1,961,001)
Other operating expenses		(324,715)	(343,641)
Operating profit	5	5,029,948	4,034,819
Interest payable and similar expenses	6	(199,499)	(253,098)
Other gains and losses	7	-	14,871
Fair value gains and losses on derivatives		121,903	66,565
Profit before taxation		4,952,352	3,863,157
Tax on profit	8	(944,462)	(1,483,347)
Profit for the financial year		4,007,890	2,379,810
Retained earnings brought forward		32,720,243	31,340,433
Dividends	9	(2,080,000)	(1,000,000)
Retained earnings carried forward		34,648,133	32,720,243

**ZEPHYR FISHING CO. LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2022**

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Intangible assets	10	11,999,952		11,999,952	
Tangible assets	11	25,068,931		27,028,931	
		<u>37,068,883</u>		<u>39,028,883</u>	
<b>Current assets</b>					
Debtors	12	680,153		710,413	
Cash at bank and in hand		5,801,103		5,401,103	
		<u>6,481,256</u>		<u>6,111,516</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,400,913)</u>		<u>(1,249,929)</u>	
<b>Net current assets</b>		<u>5,080,343</u>		<u>4,861,587</u>	
<b>Total assets less current liabilities</b>		<u>42,149,226</u>		<u>43,890,470</u>	
<b>Creditors: amounts falling due after more than one year</b>	14	(4,333,333)		(8,000,000)	
<b>Provisions for liabilities</b>	17	<u>(3,102,760)</u>		<u>(3,105,227)</u>	
<b>Net assets</b>		<u><u>34,713,133</u></u>		<u><u>32,785,243</u></u>	
<b>Capital and reserves</b>					
Called up share capital	19	52,000		52,000	
Capital redemption reserve	20	13,000		13,000	
Profit and loss reserves	20	34,648,133		32,720,243	
<b>Total equity</b>		<u><u>34,713,133</u></u>		<u><u>32,785,243</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 01/03/2023 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 2022

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	7,094,901		5,494,861	
Interest paid		(199,499)		(253,098)	
Income taxes paid		(748,735)		(1,050,831)	
<b>Net cash inflow from operating activities</b>		<u>6,146,667</u>		<u>4,190,932</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		-	(824,266)		
<b>Net cash used in investing activities</b>			-		(824,266)
<b>Financing activities</b>					
Repayment of bank loans		(3,666,667)	(666,666)		
Dividends paid		(2,080,000)	(1,000,000)		
<b>Net cash used in financing activities</b>		<u>(5,746,667)</u>		<u>(1,666,666)</u>	
<b>Net increase in cash and cash equivalents</b>		<u>400,000</u>		<u>1,700,000</u>	
Cash and cash equivalents at beginning of year		<u>5,401,103</u>		<u>3,701,103</u>	
<b>Cash and cash equivalents at end of year</b>		<u><u>5,801,103</u></u>		<u><u>5,401,103</u></u>	

# **ZEPHYR FISHING CO. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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### **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**

Bank facilities continue to be made available to the company and the directors, at the date of signing this report, believe that this will not change in the foreseeable future. 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.

#### **Tangible fixed assets**

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

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

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### 1 Accounting policies (Continued)

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

In the year of acquisition assets costing in excess of £150,000 are depreciated on a pro rata basis from the month of acquisition. Assets costing less than £150,000 are depreciated for a full year in the year of acquisition and not depreciated in the year of disposal.

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.

#### **Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). There were no impairments in the year.

#### **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.

#### **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.

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2022

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#### 1 Accounting policies (Continued)

##### **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.

##### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### **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.

# **ZEPHYR FISHING CO. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 JUNE 2022**

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#### **1 Accounting policies (Continued)**

##### **Government grants**

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

##### **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.

#### **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**

An analysis of the company's turnover is as follows:

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2022

#### 3 Turnover and other revenue (Continued)

	2022 £	2021 £
Other revenue		
Grants received	-	2,000

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

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Total	-	-

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.

#### 5 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	-	(2,000)
Fees payable to the company's auditor for the audit of the company's financial statements	13,195	12,390
Depreciation of owned tangible fixed assets	1,960,000	1,961,001
Operating lease charges	45,126	45,126

#### 6 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	176,196	215,004
Other finance costs:		
Other interest	23,303	38,094



# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

### 7 Other gains and losses

	2022 £	2021 £
Other gains and losses	-	14,871

### 8 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	946,929	728,736
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,467)	12,311
Changes in tax rates	-	742,300
Total deferred tax	(2,467)	754,611
Total tax charge	944,462	1,483,347

Change in rates relates to remeasuring deferred tax liabilities from 19% to 25% in line with rates substantively enacted for periods after 1 April 2023 when the timing differences are expected to reverse.

	2022 £	2021 £
Profit before taxation	4,952,352	3,863,157
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	940,947	734,000
Other permanent differences	271	-
Fixed asset differences	3,447	3,447
Deferred tax measured at different rates	(800)	745,052
Deferred tax not recognised	597	848
Taxation charge for the year	944,462	1,483,347

### 9 Dividends

	2022 £	2021 £
Final paid	2,080,000	1,000,000

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2022

#### 10 Intangible fixed assets

	Fishing licences and FQA's £
<b>Cost</b>	
At 1 July 2021 and 30 June 2022	11,999,952
<b>Carrying amount</b>	
At 30 June 2022	11,999,952
At 30 June 2021	11,999,952

#### 11 Tangible fixed assets

	Short leasehold property £	Boat £	Nets and gear £	Electronics and equipment £	Plant and machinery £	Total £
<b>Cost</b>						
At 1 July 2021 and 30 June 2022	491,389	27,471,658	314,821	2,281,968	22,809	30,582,645
<b>Depreciation and impairment</b>						
At 1 July 2021	146,861	2,403,770	183,626	800,209	19,248	3,553,714
Depreciation charged in the year	21,533	1,373,583	104,929	456,394	3,561	1,960,000
At 30 June 2022	168,394	3,777,353	288,555	1,256,603	22,809	5,513,714
<b>Carrying amount</b>						
At 30 June 2022	322,995	23,694,305	26,266	1,025,365	-	25,068,931
At 30 June 2021	344,528	25,067,888	131,195	1,481,759	3,561	27,028,931

The carrying value of land and buildings comprises:

	2022 £	2021 £
Short leasehold	322,995	344,528

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

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

### 12 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	576,882	658,572
Derivative financial instruments	41,644	-
Other debtors	722	5,039
Prepayments and accrued income	60,905	46,802
	<u>680,153</u>	<u>710,413</u>

### 13 Creditors: amounts falling due within one year

	Notes	2022	2021
		£	£
Bank loans	15	666,667	666,667
Corporation tax		576,929	378,736
Derivative financial instruments		-	80,258
Accruals and deferred income		157,317	124,268
		<u>1,400,913</u>	<u>1,249,929</u>

### 14 Creditors: amounts falling due after more than one year

	Notes	2022	2021
		£	£
Bank loans and overdrafts	15	<u>4,333,333</u>	<u>8,000,000</u>

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

### 15 Borrowings

	2022	2021
	£	£
Bank loans	<u>5,000,000</u>	<u>8,666,667</u>
Payable within one year	666,667	666,667
Payable after one year	<u>4,333,333</u>	<u>8,000,000</u>

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2022

#### 16 Financial Instruments

	2022 £	2021 £
<b>Carrying amount of financial assets</b>		
Instruments measured at fair value through profit or loss	41,644	-
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Other financial liabilities	-	80,258

The company has agreed an interest rate collar on the loan facility, with the rates as follows:

- Interest rate cap 2.50% on loan
- Interest rate floor 0.941% on loan

This is valued based on available market data.

#### 17 Provisions for liabilities

	Notes	2022 £	2021 £
Deferred tax liabilities	18	3,102,760	3,105,227

#### 18 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 2022 £	Liabilities 2021 £
<b>Balances:</b>		
Accelerated capital allowances	3,092,349	3,125,292
Short term differences	10,411	(20,065)
	3,102,760	3,105,227

	2022 £
<b>Movements in the year:</b>	
Liability at 1 July 2021	3,105,227
Credit to profit or loss	(2,467)
Liability at 30 June 2022	3,102,760

The amount of the deferred tax liability that is expected to reverse within 12 months is £59,712 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 decrease of £59,712 (2021 - £13,993).

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

### 19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
<b>Ordinary share capital</b>				
Issued and fully paid				
Ordinary shares of £1 each	52,000	52,000	52,000	52,000

#### *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.

### 20 Reserves

#### **Capital redemption reserve**

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

#### **Profit and loss reserves**

Cumulative profit and loss net of distributions to owners.

### 21 Cash generated from operations

	2022 £	2021 £
Profit for the year after tax	4,007,890	2,379,810
<b>Adjustments for:</b>		
Taxation charged	944,462	1,483,347
Finance costs	199,499	253,098
Fair value gain on foreign exchange contracts	(121,903)	(66,565)
Depreciation and impairment of tangible fixed assets	1,960,000	1,961,001
Other gains and losses	-	(14,871)
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	71,904	(544,102)
Increase in creditors	33,049	43,143
<b>Cash generated from operations</b>	<b>7,094,901</b>	<b>5,494,861</b>

### 22 Analysis of changes in net funds/(debt)

	1 July 2021 £	Cash flows £	30 June 2022 £
Cash at bank and in hand	5,401,103	400,000	5,801,103
Borrowings excluding overdrafts	(8,666,667)	3,666,667	(5,000,000)
	<u>(3,265,564)</u>	<u>4,066,667</u>	<u>801,103</u>

# ZEPHYR FISHING CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

### 23 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:

	2022 £	2021 £
Within one year	45,126	45,126
Between one and five years	65,032	100,562
In over five years	371,850	381,446
	<u>482,008</u>	<u>527,134</u>

### 24 Related party transactions

#### Remuneration of key management personnel

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

	2022 £	2021 £
Aggregate compensation	<u>684,063</u>	<u>587,577</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 £1,872,000 (2021 - £900,000).

#### Transactions with related parties

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

	Crew share 2022 £	2021 £
Other related parties	<u>456,042</u>	<u>391,718</u>

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

Dividends paid to close family totalled £208,000 (2021 - Nil).