

Company Registration No. SC107275 (Scotland)

**THE SCOTTISH SALMON COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# THE SCOTTISH SALMON COMPANY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J R Jacobsen	
	A Frederiksberg	(Appointed 19 February 2021)
	R Hansen	(Appointed 19 February 2021)
	J Jensen	(Appointed 19 February 2021)
	T Samuelson	(Appointed 19 February 2021)
	O Sandvik	(Appointed 19 February 2021)
	E Wathne	(Appointed 19 February 2021)

**Company number** SC107275

**Registered office** 28 Drumsheugh Gardens  
Edinburgh  
United Kingdom  
EH3 7RN

**Auditor** Azets Audit Services  
Titanium 1  
King's Inch Place  
Renfrew  
Renfrewshire  
United Kingdom  
PA4 8WF

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# THE SCOTTISH SALMON COMPANY LIMITED

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# THE SCOTTISH SALMON COMPANY LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present the strategic report for the year ended 31 December 2021.

### **Fair review of the business**

2021 was a challenging year for the business and this is reflected in the financial results. There was continued volatility and uncertainty in global markets during 2021 due to Covid 19 with market closures and restrictions causing challenges in large export markets in the US and the Far East.

The business also faced significant biological issues during the second half of the year resulting from compromised gill health combined with secondary complications such as blooms of micro jellyfish and fish handling during necessary treatments. The situation improved towards the end of December with improvement continuing into early 2022.

The Bakkafrøst Group remains committed to the 5-year investment plan announced in September 2021. This plan includes a new wellboat with large freshwater treatment capacity from Q2 2022. This increased capacity will play an important role in improving gill health and therefore overall fish health whilst reducing the risk from secondary complications. The Bakkanes, a new delousing and farm service vessel, also began operating on SSC sites during Q4.

Another significant milestone was achieved during the year as construction started on the fourth phase of the Applecross freshwater RAS facility. When complete, the Applecross facility will have a capacity of towards 28,000m<sup>3</sup>, enabling the production of up to eight million 500g smolt. This transformational increase in smolt size will significantly reduce the time salmon are in the marine environment, thereby reducing exposure to risk factors such as disease, environmental challenges, and predation.

During 2021 the business continued its investment plan to upgrade and modernise its operational infrastructure with significant investment in shore bases, barges, feed systems and nets. The business also continued to realise synergies and adopt best practises through closer integration with the Bakkafrøst Group. A key synergy was achieved during 2021 with high quality marine feed from Havsbrún, part of the Bakkafrøst Group, accounting for 75% of all feed used by the business.

### **Results summary**

Against the backdrop of a volatile market and significant biological challenges impacting on financial performance, the business remains committed to its strategic investment plan. With successful implementation of the large smolt strategy, investment in treatment capacity and adoption of best practices expected to drive improved financial performance.

### **Key Highlights**

- Revenue of £154m
- Harvest volumes of 29,673 tonnes (HOG) for the full year.
- £50m Investment programme including:
  - Investment in RAS freshwater capacity to delivery large smolt strategy
  - Expanded treatment capacity
  - Upgrading infrastructure included shore bases, feed systems and nets

# THE SCOTTISH SALMON COMPANY LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Principal risks and uncertainties

The Directors have in place a risk management system which aims to manage and reduce the risks to which the company is exposed.

### FINANCIAL INSTRUMENTS

The Company's financial risk management objectives are to ensure sufficient working capital and cash flow for the business and to ensure there is sufficient liquidity to support delivery of the Company's growth strategy. This is achieved through careful management of our cash resources, loans from group companies and by participation in group cash pooling arrangement with our parent entity.

The company does not directly manage interest or foreign exchange risk through derivatives or other hedging transactions. Risk management is carried out by the Group finance function which is responsible for identifying, evaluating and, where appropriate, hedging against financial risk.

### HEALTH AND SAFETY

Health and safety is a key priority for the Company, providing a safe working environment for everyone and ensuring we adopt a culture of continuous improvement and best practice is fundamental to our business.

We work proactively with industry bodies such as the Health & Safety Executive and the Maritime and Coastguard Agency. We work systematically to mitigate risk and respond to incidents and actively encourage open and honest reporting of all accidents - no matter how minor. We monitor and measure our progress related to safety using leading and lagging key industry indicators to ensure continuous improvement and health and safety of our staff. This includes audits and inspections, employee feedback forums, near-miss incidents, accidents and RIDDOR.

We have robust health and safety procedures, and all employees are provided with training and guidance to ensure that they are familiar with relevant procedures. Comprehensive risk assessments are carried out regularly and the Company has reviewed and developed an extensive incident management and business recovery procedure. This is tested and reviewed on a regular basis. In addition, a business-wide Occupational Health Programme was launched for all employees.

### GLOBAL PANDEMIC

Following the global outbreak of the COVID-19 virus, the company continues to be exposed to the following risks:

- Interruption to operations and challenges to fish health due to an absence of staff for a period due to either contracting the virus or measures taken to contain an outbreak at our production and processing facilities;
- A fall in revenue and decreased cash flow due to market disruption from localised lockdowns and lower general economic activity throughout the UK or in countries the company exports to.

### Our approach to COVID-19

The Scottish Salmon Company Limited incorporates Business Continuity Plans for all our critical activities, risk assessments, and crisis-management protocols. We activated this structure since the spread of COVID-19. The senior leadership team meet regularly to monitor activities.

The Company continued to enforce steps taken last year which focused on business-critical activities and introduced a number of measures to ensure we are operating within Scottish Government guidelines; including social distancing, additional PPE, enhanced hygiene routines and new shift patterns to minimise contact. We cancelled all non-essential site visits and introduced mandatory home working for all office employees. Our investment in our connectivity across the business, including our farm sites for remote feeding and implementation of Microsoft Teams enabled the business to continue to make strategic decisions remotely. The safety and wellbeing, including mental health, of our staff and their families remains of paramount importance.

# **THE SCOTTISH SALMON COMPANY LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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### **Development and performance**

#### **Our Employees**

The Scottish Salmon Company Limited is committed to providing a safe environment for our employees, their families and the communities in which we operate. In line with government advice, we have asked our employees to work at home where possible to reduce transmission risks and to keep them safe.

The Scottish Salmon Company Limited has restricted all travel unless it's business-critical purposes only. This is to reduce transmission risks and protect our workforce from a dynamic environment of government-imposed restrictions and quarantine. When employees do need to travel, extensive support networks are in place.

Our Human Resources and Health and Safety teams have detailed processes in place to support our employees, including loosening of sickness and time off policies for those who need to self-isolate, fall ill, or need to make other work-life adjustments for childcare and elder care. These policies are updated regularly in line with local government advice.

#### **Our sites**

Some Scottish Salmon Company employees might be unable to perform work from their homes. All our sites remain open, and we have taken additional precautions to protect our workforce. This includes increased cleaning and disinfection, restricted access for visitors, and the availability of personal protective equipment. Internal and external events have been rescheduled virtually, postponed or cancelled.

We have comprehensive plans to temporarily close part or all of a site to perform deep cleaning in the event an employee is considered a risk, shows symptoms or tests positive for COVID-19.

At our manufacturing sites, we can introduce split shifts where required to minimize transmission risks.

#### **Our Salmon**

We are an essential Food Producer and Food Processor with the majority of staff classed as Key Workers which will help us maintain sites and continue production during this period.

Although it is not possible to reliably estimate the length or severity of the outbreak or future variants, at the date of signing, the company's operations are not being adversely affected by the COVID-19 pandemic.

# THE SCOTTISH SALMON COMPANY LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Section 172(1) Statement

The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which 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, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company, (the "s.172(1) Matters").

Further information on the steps taken during 2021 are detailed below.

### EMPLOYEES

Our people are at the heart of our business. Their passion, dedication and expertise are essential for producing the finest quality Scottish salmon and driving our strategy forward. As a major employer with round 60 sites across the West Coast of Scotland and Hebridean Islands, we employ over 600 people. We respect the role that salmon farming plays in the remote and rural areas in which we operate. We are committed to providing quality employment, developing staff, sourcing locally where possible and engaging with local communities.

Our employees play a fundamental role in the successful growth of the business and the Company maintains a strong commitment to hiring, nurturing and retaining its talent. The Company is proud of the positive role it plays in terms of socioeconomic impact around its locations of activity and maintains high standards as a corporate citizen to ensure the wellbeing and development of its employees, which in turn contributes to the stimulation of the micro economies, which are often regarded as economically fragile, in the remote regions around which the business operations are based.

The company operates a series of codes of good practice that are appropriate for its operations. This therefore enables the company to meet the needs of the workforce. The company regularly communicates with its staff throughout the year including staff forums and regular direct communications, to ensure the participation of employees in its affairs and that their views, and impact on them, is fully reflected in management decisions. The company is committed to equality of opportunity among its employees. Recruitment, terms of service and career development are based solely on ability and performance without regard to disablement, gender, marital status, race or religion. The company also operates a confidential whistle blowing line and is a member of Sedex.

### MARKETS, CUSTOMERS AND PRODUCT QUALITY

Throughout the pandemic adaptability has been crucial and our Sales Team have worked closely with our customers to ensure we support their changing needs, as localised lockdowns impacted demand throughout the year. Our recent customer survey showed that the majority of our customers are satisfied both with the supply and the service we have been able to provide and this is testament to the Team's dedication.

Trade shows and face to face meetings were limited in 2021 as such, we continued to develop new business through use of virtual technology, allowing customers to view sites and the quality of salmon produced.

While the domestic market has been a focus, as lockdowns eased around the world exports to key customers became our priority. Air freight and shipping cost continued to be higher than pre-pandemic levels, as such innovative packaging solutions were used to maximise efficiency and reduce the carbon footprint of the product. Maintaining a high-quality balanced customer portfolio is a key objective. Our customers admire our Scottish provenance and traceability is valued more than ever. Our Native Hebridean Salmon programme is going from strength to strength, and we continue to capitalise on our unique Hebridean heritage and value chain integrity

# THE SCOTTISH SALMON COMPANY LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### OUR COMMUNITIES & ENVIRONMENT

We farm in some of the most remote and fragile Scottish coastal regions. We respect the major role that salmon farming plays in these rural areas and are committed to being an active and integral part of our communities. We seek to ensure open and transparent communication with industry, stakeholder groups, communities and our Community Charter. This pledges our commitment to our people, suppliers and communities. We aim to source locally where possible to retain value in the local economy. In addition, we have increased the scope of our Community Fund to support local causes and creating stronger communities, with a focus on health and wellbeing, stewardship of the natural environment and economic development.

We are fully committed to responsible farming practices and the stringent health management of our stock. We adopt a best practice approach to animal husbandry to ensure the healthy growth of our salmon.

We have invested significantly in health management through proactive and reactive measures, including additional lice treatment capacity provided by the Bakkanes Farm Service Vessel, expanded freshwater treatment capability, investment in anti-predator nets and expanding our cleaner fish programme.

Last year, The Company became Europe's first salmon producer to gain four-star BAP certification for our freshwater, marine and processing sites, as well as sourcing feed from BAP-certified suppliers. BAP is considered the world's most trusted aquaculture certification and the only one to cover the entire value chain – which is integral to us – and is recognised by both the Global Food Safety Initiative and the Global Sustainable Seafood Initiative. BAP's standards are built on the four pillars of sustainability with traceability as the foundation. SSC continues to adhere to the BAP certification and compliance is a key performance metric for the business.

The Company is committed to achieving the highest standards of animal husbandry within the salmon farming industry. To achieve this, the Company developed its own Fish Welfare Standard, focused on delivering our goal of producing the finest quality Scottish Salmon to the highest standards of animal welfare. This work came to fruition as the Company became RSPCA Assured in 2021.

The salmon industry is one of the most transparent and highly regulated farming sectors in the UK. We adhere to the independently audited Code of Good Practice for Scottish Finfish Aquaculture, which covers all aspects of farm production including site and stock selection, biosecurity, fallowing, feed formulation and husbandry practices.



# THE SCOTTISH SALMON COMPANY LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### ETHICAL BUSINESS CONDUCT

The Company's policy is to conduct all business in a responsible, honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity. Following the implementation of General Data Protection Regulations (GDPR), SSC implemented a separate policy committing the Group to complying with the Data Protection Law. The purpose of GDPR is to modernise laws that protect the personal information of individuals and is wholly in line with our own philosophy of protecting the information of all stakeholders with whom we interact.

We have implemented strict procedures and controls to safeguard against bribery, corruption and any form of modern slavery within our own business or by our suppliers. This also forms part of our employee induction programme, along with an introduction to our Code of Conduct, Conflict of Interest Policy, Anti-Bribery Policy and Whistle-blowing Policy. Extensive training among employees was conducted to ensure all employees are made familiar with the current policies and procedures. No instances of fraud or major breaches of our Code of Conduct were reported in 2021.

We are committed to conducting our business with the highest levels of integrity across the supply chain. In addition, we have developed a procurement policy to support the achievement of company goals on sustainability and profitability. We have established a rigorous supply chain compliance programme using SEDEX membership and self-audit to make informed business decisions and drive continuous improvement across our value chain. All suppliers are carefully assessed to make sure that they are performing to an appropriate standard, especially regarding their level of quality management, health and safety, corporate social responsibility as well as ethics and environmental care. Key supplier relationships are closely managed through quarterly business reviews to measure and review the performance.

### STRATEGIC UPDATE

Bakkafrost is wholly committed to strong cooperation with local communities and the relevant authorities in Scotland and believes that the integration with the Company will create long term value for all stakeholders in Scotland as the Company undertakes a significant investment in the business, stimulating growth and employment within local communities in Scotland.

### OUTLOOK

SSC is focused on long-term growth. The long term growth plan aims to deliver a profitable and sustainable business and ensures all activities are strategically aligned, with defined KPIs to guide activity. This will maximise Group strength and streamline activities to create growth, cost efficiencies, improve productivity and deliver value to the business.

On behalf of the board

J R Jacobsen  
**Director**

14 February 2022

# THE SCOTTISH SALMON COMPANY LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their annual report and financial statements for the year ended 31 December 2021.

#### Principal activities

The principal activity of the company continued to be that of fish farming.

#### Results and dividends

Please refer to the Strategic Report for a review of the business and details of likely future developments, risks and uncertainties.

The company did not declare a dividend.

#### Directors

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

S Cox	(Resigned 22 February 2021)
O Eliassen	(Resigned 22 February 2021)
J R Jacobsen	
A Frederiksberg	(Appointed 19 February 2021)
R Hansen	(Appointed 19 February 2021)
J Jensen	(Appointed 19 February 2021)
T Samuelson	(Appointed 19 February 2021)
O Sandvik	(Appointed 19 February 2021)
E Wathne	(Appointed 19 February 2021)

#### Disabled persons

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever suitable vacancies arise and the continued employment and retraining of employees who become disabled whilst employed by the company.

#### Engagement with Employees, Customers and Suppliers

Information regarding the company's engagement with employees, customers and suppliers can be found in the Strategic Report.

#### Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Energy and carbon report

The company has taken exemption from disclosure of this information on the basis that it is disclosed within the annual report of our parent company P/F Bakkafrøst, which can be obtained from its website [www.bakkafrost.com](http://www.bakkafrost.com).

#### 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, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**THE SCOTTISH SALMON COMPANY LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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On behalf of the board

J R Jacobsen  
**Director**

14 February 2022

# **THE SCOTTISH SALMON COMPANY LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The directors are responsible for preparing the annual 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

# THE SCOTTISH SALMON COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE SCOTTISH SALMON COMPANY LIMITED

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#### Opinion

We have audited the financial statements of The Scottish Salmon Company Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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 our 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.

# THE SCOTTISH SALMON COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE SCOTTISH SALMON COMPANY LIMITED

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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 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 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, 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# THE SCOTTISH SALMON COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE SCOTTISH SALMON COMPANY LIMITED

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#### **Extent to which 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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

#### **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.

**Donald Boyd (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

15 February 2022

**Chartered Accountants**  
**Statutory Auditor**

Titanium 1  
King's Inch Place  
Renfrew  
Renfrewshire  
United Kingdom  
PA4 8WF

# THE SCOTTISH SALMON COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	Restated 2020
	Notes	£'000	£'000
<b>Turnover</b>	<b>3</b>	154,346	180,601
Changes in stocks		(9,217)	(7,133)
Other operating income		12,438	8,497
Raw materials and consumables		(113,218)	(132,053)
Stock impairment		(3,644)	(1,457)
Staff costs	<b>5</b>	(24,233)	(24,045)
Depreciation and other amounts written off tangible and intangible fixed assets	<b>4</b>	(16,446)	(16,130)
Other operating expenses		(45,405)	(27,269)
<b>Operating loss</b>	<b>4</b>	(45,379)	(18,989)
Income from shares in group undertakings	<b>7</b>	175	1,170
Interest payable and similar expenses	<b>8</b>	(1,446)	(2,192)
Amounts written off investments	<b>9</b>	468	640
<b>Loss before taxation</b>		(46,182)	(19,371)
Tax on loss	<b>10</b>	12,014	2,004
<b>Loss for the financial year</b>		(34,168)	(17,367)

The profit and loss account has been prepared on the basis that all operations are continuing operations.



# THE SCOTTISH SALMON COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £'000	2020 £'000
Loss for the year	(34,168)	(17,367)
Other comprehensive income		
Cash flow hedges gain/(loss) arising in the year	575	(167)
Cash flow hedges gain/(loss) reclassified to profit or loss	-	(145)
Tax relating to other comprehensive income	(109)	(59)
Other comprehensive income for the year	466	(371)
Total comprehensive income for the year	(33,702)	(17,738)

# THE SCOTTISH SALMON COMPANY LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021	2020
	Notes	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	12	1,980	2,711
Tangible assets	13	116,110	82,564
		118,090	85,275
<b>Current assets</b>			
Stocks	15	86,028	98,889
Debtors	16	45,714	33,087
Cash at bank and in hand		22	1,762
		131,764	133,738
<b>Creditors: amounts falling due within one year</b>	17	(197,136)	(131,417)
<b>Net current (liabilities)/assets</b>		(65,372)	2,321
<b>Total assets less current liabilities</b>		52,718	87,596
<b>Creditors: amounts falling due after more than one year</b>	18	(86)	(358)
<b>Provisions for liabilities</b>			
Deferred tax liability	21	-	904
		-	(904)
<b>Net assets</b>		52,632	86,334
<b>Capital and reserves</b>			
Called up share capital	23	20,000	20,000
Hedging reserve	24	-	(466)
Profit and loss reserves	25	32,632	66,800
<b>Total equity</b>		52,632	86,334

The financial statements were approved by the board of directors and authorised for issue on 14 February 2022 and are signed on its behalf by:

J R Jacobsen  
Director

Company Registration No. SC107275

# THE SCOTTISH SALMON COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Hedging reserves	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2020</b>	20,000	(95)	84,167	104,072
<b>Year ended 31 December 2020:</b>				
Loss for the year	-	-	(17,367)	(17,367)
Other comprehensive income:				
Cash flow hedges gains	-	(167)	-	(167)
Cash flow hedges gains reclassified to profit or loss	-	(145)	-	(145)
Tax relating to other comprehensive income	-	(59)	-	(59)
Total comprehensive income for the year	-	(371)	(17,367)	(17,738)
<b>Balance at 31 December 2020</b>	20,000	(466)	66,800	86,334
<b>Year ended 31 December 2021:</b>				
Loss for the year	-	-	(34,168)	(34,168)
Other comprehensive income:				
Cash flow hedges gains	-	575	-	575
Tax relating to other comprehensive income	-	(109)	-	(109)
Total comprehensive income for the year	-	466	(34,168)	(33,702)
<b>Balance at 31 December 2021</b>	20,000	-	32,632	52,632

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **1 Accounting policies**

#### **Company information**

The Scottish Salmon Company Limited is a private company limited by shares incorporated in Scotland. The registered office is 28 Drumsheugh Gardens, Edinburgh, United Kingdom, EH3 7RN.

#### **1.1 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 the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The company is a wholly owned subsidiary of P/F Bakkafrøst and the results of the company are included in the consolidated financial statements of P/F Bakkafrøst which are available from its website [www.bakkafrøst.com](http://www.bakkafrøst.com).

#### **1.2 Prior period reclassification**

Following a review of the classification of costs within the profit & loss account by the directors, the prior year financial statements have been restated to reclassify £11.6m from raw materials to other operating expenses, and £1.5m from other operating expenses to other income. The directors believe this reclassification provides more relevant and reliable information regarding the respective categories of expenditure. There is no impact to total equity or loss for the financial year as previously reported.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.3 Going concern

The directors are required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the directors have considered the company's ability to meet its liabilities as they fall due.

The company meets its day to day working capital requirements through intercompany loans and participation in a cash pooling arrangement within the group. Management information tools including budgets and cash flow forecasts are used to monitor and manage current and future liquidity.

The company also pays special attention to the ongoing COVID-19 outbreak and the associated risks on the business, which is detailed within Risks and Uncertainties in the Strategic Report. This includes:

- Interruption to operations and challenges to fish health due to an absence of staff for a period due to either contracting the virus or measures taken to contain an outbreak at our production and processing facilities.
- A fall in revenue and decreased cash flow due to market disruption and lower general economic activity throughout the UK or in countries the company exports to.

The company's current and future financial position has been reviewed by the directors. In addition, the company has obtained formal documentation from the group that it will continue to provide such financial support as necessary and that it will not demand repayment of their loans until such time that the company has the ability and funds available to repay it.

Following their review, the directors are confident that the financial resources available and support from group companies will provide sufficient headroom to meet the forecast cash requirements of the business.

#### 1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. If considering all known facts and circumstances, the company is acting as an agent in respect of shipping and handling, amounts billed to customers are offset against the relevant costs.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the 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.

Interest income is recognised as interest accrues using the effective interest method.

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.6 Intangible fixed assets other than goodwill

Separately acquired farming licences are shown at historical cost. Licences acquired as part of a business combination are recognised at fair value at the acquisition date. Whilst the Directors consider that licences in Scotland are perpetual as long as operations are run environmentally and with minimal impact on the surrounding area, FRS 102 considers all intangible assets to have a finite useful life. As such, all farming licences are subject to a maximum amortisation period of 10 years.

#### 1.7 Tangible fixed assets

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

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

Freehold land and buildings	4% - 11% straight line
Leasehold land and buildings	5% - 12.5% straight line
Sea cages and equipment	5% - 33.3% straight line
Motor vehicles	25% straight line
Nets	20% straight line
Boats	11% - 25% straight line

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.

#### 1.8 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

---

### 1 Accounting policies

(Continued)

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell as follows:

##### **Biological Assets**

Biological assets are measured at cost less accumulated impairment losses. Costs incurred relate to the rearing and on-growing process and include purchase costs on a first in, first out basis, feed, labour and directly related overheads.

##### **Other Stock**

Purchase costs on a first in, first out basis.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.11 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 in the company's balance sheet 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 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 unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, 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, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is 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.

#### **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 creditors and loans from fellow group companies, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest 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 that do not meet the conditions in FRS 102 paragraph 11.9 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.



# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### *Derecognition of financial liabilities*

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

#### 1.12 Equity instruments

Equity instruments issued by the company are recorded at the 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.

#### 1.13 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting end date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### 1.14 Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

#### 1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.16 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.17 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.18 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

#### 1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

#### 1.21 Research and Development Credit

Research & development tax credits are recognised on a systematic basis as the business recognises the costs for which the research & development tax credits are intended to incentivise, and only to the extent that the Directors are satisfied, based on previous claims and / or professional advice, that amounts will be recoverable.

### 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.

#### 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.

##### **Biological assets**

The very nature of salmon farming means that the volume of biological assets in the sea at each reporting period is itself an estimate. However, the Company regularly grades and performs sample counts on all sites. Furthermore, all deviations between expected volumes and actual harvests are measured and reviewed. In general, unless there has been significant disease issues causing higher than normal mortality rates or a period of restricted handling, uncertainty levels are typically low.

##### **Research and Development Credit**

Research & development tax credits are recognised on a systematic basis and represent the directors' best estimate of the amount's receivable under the scheme. The estimate takes into account expert professional advice received by the company on the matter.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Turnover and other revenue

	2021 £'000	2020 £'000
<b>Other significant revenue</b>		
Dividends received	175	1,170
Grants received	178	279
Insurance income	8,545	2,737
R&D tax credits	3,338	5,481
Other income	376	-
	<u>154,346</u>	<u>180,601</u>
	2021 £'000	2020 £'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	44,160	61,700
Europe	84,748	101,691
North America	13,705	9,912
Rest of World	11,733	7,298
	<u>154,346</u>	<u>180,601</u>

### 4 Operating loss

	2021 £'000	2020 £'000
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	1,645	546
Government grants	(178)	(279)
Fees payable to the company's auditor for the audit of the company's financial statements	117	70
Depreciation of owned tangible fixed assets	10,712	9,854
Depreciation of tangible fixed assets held under finance leases	211	237
Impairment of owned tangible fixed assets	4,552	769
Loss on disposal of tangible fixed assets	241	849
Amortisation of intangible assets	730	1,399
Impairment of intangible assets	-	3,021
Impairment of stocks recognised or reversed	3,644	1,457
Operating lease charges	2,862	1,360
	<u>2,862</u>	<u>1,360</u>

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 5 Employees

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

	2021 Number	2020 Number
Farm management and staff	600	650
Office and general management	49	57
Sales staff	7	7
	<hr/>	<hr/>
Total	656	714
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	21,113	20,402
Social security costs	1,990	2,055
Pension costs	1,130	1,588
	<hr/>	<hr/>
	24,233	24,045
	<hr/>	<hr/>

### 6 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	32	137
Company pension contributions to defined contribution schemes	2	12
	<hr/>	<hr/>
	34	149
	<hr/>	<hr/>

Parent Company recharges for director services amounted to £nil (2020 - £270k).

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2020 - 1).

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

<b>7</b>	<b>Interest receivable and similar income</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Income from fixed asset investments</b>		
	Income from shares in group undertakings	175	1,170
		<u>          </u>	<u>          </u>
	Disclosed on the profit and loss account as follows:		
	Income from shares in group undertakings	175	1,170
		<u>          </u>	<u>          </u>
<b>8</b>	<b>Interest payable and similar expenses</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
	Interest on bank overdrafts and loans	-	941
	Interest payable to group undertakings	1,387	707
	Other interest	59	544
		<u>          </u>	<u>          </u>
		1,446	2,192
		<u>          </u>	<u>          </u>
<b>9</b>	<b>Amounts written off investments</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Fair value gains/(losses) on financial instruments</b>		
	Change in the value of financial liabilities held at fair value through profit or loss	468	793
	<b>Other gains/(losses)</b>		
	Other gains and losses	-	(153)
		<u>          </u>	<u>          </u>
		468	640
		<u>          </u>	<u>          </u>
<b>10</b>	<b>Taxation</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	-	(2,911)
	Adjustments in respect of prior periods	(126)	(20)
		<u>          </u>	<u>          </u>
	Total current tax	(126)	(2,931)
		<u>          </u>	<u>          </u>

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation	(Continued)	
	2021 £'000	2020 £'000
<b>Deferred tax</b>		
Origination and reversal of timing differences	(10,506)	927
Changes in tax rates	(2,610)	-
Adjustment in respect of prior periods	1,228	-
Total deferred tax	<u>(11,888)</u>	<u>927</u>
Total tax credit	<u>(12,014)</u>	<u>(2,004)</u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £'000	2020 £'000
Loss before taxation	<u>(46,182)</u>	<u>(19,371)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(8,775)	(3,680)
Tax effect of expenses that are not deductible in determining taxable profit	47	52
Adjustments in respect of prior years	(126)	844
Permanent capital allowances in excess of depreciation	(1,746)	-
Deferred tax adjustments in respect of prior years	1,229	-
Fixed asset differences	(127)	961
Change in rate of deferred tax	(2,610)	8
Other adjustments	94	(189)
Taxation credit for the year	<u>(12,014)</u>	<u>(2,004)</u>

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £'000	2020 £'000
Reclassifications from equity to profit or loss:		
Relating to cash flow hedges	<u>109</u>	<u>59</u>

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2021 £'000	2020 £'000
In respect of:			
Goodwill	12	-	3,021
Property, plant and equipment	13	4,552	769
Fixed asset investments		-	153
Stocks	15	3,644	1,457
		<u>          </u>	<u>          </u>
Recognised in:			
Stock impairment		3,644	1,457
Depreciation and other amounts written off tangible and intangible fixed assets		4,552	3,790
Amounts written off investments		-	153
		<u>          </u>	<u>          </u>

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

### 12 Intangible fixed assets

	Goodwill £'000	Patents & licences £'000	Total £'000
<b>Cost</b>			
At 1 January 2021 and 31 December 2021	3,822	13,765	17,587
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Amortisation and impairment</b>			
At 1 January 2021	3,822	11,055	14,877
Amortisation charged for the year	-	730	730
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2021	3,822	11,785	15,607
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Carrying amount</b>			
At 31 December 2021	-	1,980	1,980
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2020	-	2,711	2,711
	<u>          </u>	<u>          </u>	<u>          </u>

More information on impairment movements in the year is given in note 11.



# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment	Other assets	Transport and boats	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2021	15,804	107,467	19,615	14,040	156,926
Additions	-	607	48,748	-	49,355
Disposals	(284)	(5,299)	(374)	(42)	(5,999)
Transfers	6,905	31,336	(45,960)	7,719	-
At 31 December 2021	22,425	134,111	22,029	21,717	200,282
<b>Depreciation and impairment</b>					
At 1 January 2021	8,457	57,045	1,338	7,522	74,362
Depreciation charged in the year	454	9,323	181	965	10,923
Impairment losses	680	3,861	-	11	4,552
Eliminated in respect of disposals	(284)	(4,980)	(374)	(27)	(5,665)
At 31 December 2021	9,307	65,249	1,145	8,471	84,172
<b>Carrying amount</b>					
At 31 December 2021	13,118	68,862	20,884	13,246	116,110
At 31 December 2020	7,347	50,422	18,277	6,518	82,564

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021 £'000	2020 £'000
Transport and boats	722	921
Other assets	45	56
	767	977

More information on impairment movements in the year is given in note 11.

Land & buildings consists of freehold land of £0.4m which is not depreciated, leasehold property with a net book value of £0.4m and heritable property with a net book value of £12.5m.

Included within other assets are assets under construction amounting to £24.1m (2020: £15.8m) which are not depreciated. When assets under construction are complete, their costs are transferred to the appropriate fixed asset category.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Financial instruments

	2021 £'000	2020 £'000
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Other financial liabilities	-	783

### 15 Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	4,280	3,191
Biological assets	81,173	95,304
Finished goods and goods for resale	575	394
	<u>86,028</u>	<u>98,889</u>

### 16 Debtors

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	10,746	16,890
Corporation tax recoverable	12,381	8,916
Amounts owed by group undertakings	11	145
Other debtors	1,480	1,460
Prepayments and accrued income	10,222	5,676
	<u>34,840</u>	<u>33,087</u>
Deferred tax asset (note 21)	10,874	-
	<u>45,714</u>	<u>33,087</u>

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

	Notes	2021 £'000	2020 £'000
Obligations under finance leases	20	89	121
Other borrowings	19	150,451	75,151
Trade creditors		13,726	16,372
Amounts owed to group undertakings		23,100	25,756
Taxation and social security		536	537
Derivative financial instruments		-	1,179
Other creditors		1,732	2,127
Accruals and deferred income		7,502	10,174
		<u>197,136</u>	<u>131,417</u>

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	2021 £'000	2020 £'000
Obligations under finance leases	20	86	178
Derivative financial instruments		-	180
		<u>86</u>	<u>358</u>

### 19 Loans and overdrafts

	2021 £'000	2020 £'000
Loans from group undertakings	150,451	75,151
	<u>150,451</u>	<u>75,151</u>
Payable within one year	150,451	75,151
	<u>150,451</u>	<u>75,151</u>

The loan from parent company has no fixed repayment terms and is repayable on demand. Interest is charged at a rate of 1.175% per annum.

### 20 Finance lease obligations

	2021 £'000	2020 £'000
Future minimum lease payments due under finance leases:		
Within one year	89	121
In two to five years	86	178
	<u>175</u>	<u>299</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Finance lease obligations are secured over the assets to which they relate.

### 21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £'000	Liabilities 2020 £'000	Assets 2021 £'000	Assets 2020 £'000
Balances:				
Timing differences	-	904	10,874	-
	<u>-</u>	<u>904</u>	<u>10,874</u>	<u>-</u>

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

<b>21</b>	<b>Deferred taxation</b>	<b>(Continued)</b>
		<b>2021</b>
	<b>Movements in the year:</b>	<b>£'000</b>
	Liability at 1 January 2021	904
	Credit to profit or loss	(9,059)
	Credit to other comprehensive income	(109)
	Effect of change in tax rate - profit or loss	(2,610)
	Asset at 31 December 2021	(10,874)

<b>22</b>	<b>Retirement benefit schemes</b>	<b>2021</b>	<b>2020</b>
	<b>Defined contribution schemes</b>	<b>£'000</b>	<b>£'000</b>
	Charge to profit or loss in respect of defined contribution schemes	1,130	1,588

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

<b>23</b>	<b>Share capital</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Ordinary share capital</b>	<b>Number</b>	<b>Number</b>	<b>£'000</b>	<b>£'000</b>
	<b>Issued and fully paid</b>				
	Ordinary shares of £1 each	20,000,000	20,000,000	20,000	20,000

Each share carries full voting rights and full entitlement to profit & capital distribution.

<b>24</b>	<b>Hedging reserve</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
	At the beginning of the year	(466)	(95)
	Gains and losses on cash flow hedges	575	(167)
	Transfer to income statement	-	(145)
	Deferred tax on cashflow hedges	(109)	(59)
	At the end of the year	-	(466)

During the year the company settled all cash flow hedge arrangements.

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 25 Profit and loss reserves

	2021 £'000	2020 £'000
At the beginning of the year	66,800	84,167
Loss for the year	(34,168)	(17,367)
At the end of the year	32,632	66,800

### 26 Financial commitments, guarantees and contingent liabilities

In 2010, the Company received EFF and HIE grant funding amounting to £0.523m in connection with the redevelopment of the processing factory at Marybank. The conditions of the grant funding shall continue for a period of between 5 years from the date of last payment of the grant to 10 years from the project completion date. A breach of conditions during this time could require the grant to be repaid.

The company has granted a bond and floating charge over company assets in favour of Nordea Bank ABP, Fillal I Norge in respect of the banking facilities agreement between its parent company, P/F Bakkafrøst and Nordea Bank ABP, Fillal I Norge.

### 27 Operating lease commitments

#### Lessee

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:

	2021 £'000	2020 £'000
Within one year	13,951	16,906
Between two and five years	14,916	39,125
In over five years	4,615	7,358
	33,482	63,389

Further lease payments are payable to the Crown Estate for the lease of the seabed at each seawater site. Future payments in relation to these are contingent on the amount of fish harvested. Payments in respect of the current year amounted to £0.9m. Based on the anticipated harvest for next year, payments are expected to be £0.8m in 2022.

The company has no other significant off Balance Sheet arrangements.

### 28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £'000	2020 £'000
Acquisition of tangible fixed assets	18,766	10,636

# THE SCOTTISH SALMON COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 29 Related party transactions

#### Transactions with related parties

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

	Purchases	
	2021 £'000	2020 £'000
Other related parties	1,370	1,741
	<u>          </u>	<u>          </u>
	2021 £'000	2020 £'000
Amounts due to related parties	-	152
	<u>          </u>	<u>          </u>

#### Other information

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

### 30 Ultimate controlling party

Following the transfer of ownership of the company shares in the year from The Scottish Salmon Company PLC to P/F Bakkafrost, P/F Bakkafrost, a company incorporated in the Faroe Islands is the parent company and ultimate controlling party.

Consolidated financial statements for the group, which is the largest and smallest group of undertakings for which group accounts have been drawn up are available from P/F Bakkafrost, Bakkavegur 9, FO-625 Glyvra, Faroe Islands or from [www.Bakkafrost.com](http://www.Bakkafrost.com)

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