Mowi Scotland Limited

Report and

financial statements

Registered number SC138843

31 December 2020

Contents

Company Information for the Year Ended 31 December 2020

Directors:

B Hadfield

P Kapinos

E McColl

Secretary:

P Duzinkewycz	(Appointed 1 Jun 2020)
L Thompson	(Resigned 1 Jun 2020)

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Independent Auditors:

Ernst & Young LLP

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Strategic Report

The directors present their strategic report for the year ended 31 December 2020.

Review of business

Mowi Scotland Limited operates in over 50 locations around Scotland consisting of smolt hatcheries, freshwater farms, cleaner fish hatcheries, seawater farms, primary processing units and a feed production factory. The Company offers head on gutted (HOG) Scottish salmon to local customers as well as for export and salmon feed for internal use as well as for third party sales.

Production volume over the last five years has fluctuated between 59 and 73 thousand tons and is dependant mainly on the production cycle of the biomass in the sea and biological performance. With annual total Scottish salmon production of between 163 and 208 thousand tons Mowi Scotland Limited is the biggest market player in Scotland with a market share of around 30%.

The markets are reached through a combination of spot sales and annual contracts with customers. Sales prices are highly correlated with the sales prices of Norwegian salmon which is offered on the Board of Trade in Oslo (Fishpool). Like many commodities, salmon prices undergo significant fluctuations on the spot market reflecting the short term supply and demand of the salmon market in Europe. Over the last five years we have experienced very high salmon prices, resulting from increasing world demand for this protein source at the same time as a limited supply. Demand is growing due to the increased consumer awareness and the development of new markets i.e. the growing middle class in Asia. Supply of salmon is limited and has been stable overall over the last couple of years, a consequence of industry regulation and environmental constraints.

Financial performance of the Company has been satisfactory over the last five years with, on average, double digit operating profitability. In the view of the Directors, the positive market trends should continue in the future with increasing consumer demand for seafood as a source of protein and the growing consumer awareness of the advantages to the environment and the sustainability of salmon production in comparison to other animal protein production.

In the reporting year, the turnover from continuing operations was £357.3m, decreasing from £401.5m in 2019. The year on year decrease in turnover was made up of a 5.6% decrease in achieved sales price, offset by an increase in harvest volume of 71.1% as a result of the build up of biomass facilitating increased harvest tonnage in 2019 and thereafter.

The Company's average sales price does not fully reflect the movement of the salmon spot price of fish pool as a proportion of the sales volume are sold to customers based on fixed price contracts which may, on occasion, be lower than the spot price. The purpose of such contracts is to mitigate the risk of adverse market prices over the period of the contract. Contract coverage was 60.6% in 2020 and 49.3% in 2019.

On the production side, the challenges faced by the Company relate to fish health and growth primarily affected by sea lice, Cardio Myopathy (CMS), Gill Disease, treatment losses and to a lesser extent algal bloom. These biological challenges result in higher mortality, lower biomass growth and downgraded product all of which lead to increases in the production cost per kilo and decreased sales prices. In 2020 the superior quality share was 96.1% slightly higher than the 2019 share of 95.4%. (superior quality is a reference for the Fishpool price)

Overall, Profit on Ordinary activities before taxation was 7.06% of sales revenue in 2020 compared to 23.5% in 2019. In addition to a decrease in turnover from continuing operations and higher mortalities, the full year effect of the Feed Mill on the Isle of Skye, which celebrated one year of operation in May 2020, has seen an increase in the cost of sales in comparison to 2019.

Strategic Report (continued)

Section 172 Statement

Introduction

The directors, in line with their duties under section 172 ("S172") of the Companies Act 2006, act in a way which they consider, in good faith, would be most likely to promote the success of the Company and of the benefit of its members as a whole. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Stakeholder Management

To be a successful business, with a long-term future, the directors acknowledge that the company has to produce healthy fish in a way that it is environmentally sustainable and take care of the communities where we work and the people we employ. Through regular engagement with our stakeholders the directors can address concerns and expectations, and better predict and respond to business, operational, regulatory and financial risks and opportunities that may arise so supporting the Boards responsibility to promote the long-term success of the company.

The stakeholder voice is brought into the boardroom throughout the year through information provided by management and also by direct engagement with stakeholders themselves. The principal stakeholders are specified below with details on how the board engages with them on an ongoing basis. The relevance of each stakeholder group may increase or decrease depending upon the matter in question therefore the Board seeks to consider the needs and priorities of each stakeholder group during its discussions as part of its decision making process.

Mowi Stakeholders

Employees

The Board prioritises engagement with the workforce believing that the resulting impact is positive for both the company and its employees, to facilitate this the board believes that effective two way communication with employees is vital. This is delivered through:

- Employee consultation forum – staff representatives are given the opportunity on a quarterly basis to meet together to discuss issues and present questions from employees to the MD or another member of the board or senior management team. Following each meeting detailed minutes are distributed to all employees.
- Members of the board or senior management team operate an "open door policy" whereby they are available to employees either in person or by telephone/email.
- Quarterly zoom meetings where the MD presents the company results to employees followed by a question and answer session allowing employees to request further information or raise concerns.
- Mowi publishes a monthly newsletter "The Scoop" both in print and electronically communicating with staff and other stakeholders on developments, plans, sharing best practice, community news etc.
- Electronic communication boards have been set up on all sites showing up to date company information and communications

Customers

The Board believes that delivering the Mowi strategy requires strong mutually beneficial relationships with customers. Maintaining the trust of consumers is a priority which is achieved by offering products and services which match their expectations while operating in an environment of openness and transparency. In an effort to drive continual improvement the Board prioritises communication with its customers through the Mowi sales department. Feedback is actively sought enabling the Board to focus resources towards creating better products for customers, consumers and the planet. The Board is kept informed by the Head of Sales who is a member of the Mowi senior management team.

Strategic Report (continued)

Suppliers

The procurement department is a key driver for cooperation, development and innovation in conjunction with our suppliers. Reporting to the finance director, who informs the board, procurement takes a lead in ensuring that Mowi's vision is reflected in supplier relationships:

- that all relationships are lawful, efficient and fair
- all suppliers be afforded an equal opportunity to compete
- health and safety is a priority for all suppliers
- all supplies made to Mowi shall be produced in a sustainable manner
- Mowi's standards are detailed in the Mowi Code of Conduct which all suppliers are expected to comply with

Shareholders

The Company is a wholly owned subsidiary whose ultimate parent company is Mowi ASA. The board of Mowi Scotland Ltd have ongoing communication and engagement with members of the board of Mowi ASA. The board of Mowi ASA defines and communicates the vision, values and leadership principles which the board of Mowi Scotland Ltd uses to inform their decisions.

Local Communities

The board believes that Mowi operates most effectively as an active and engaged member of the communities in which it operates. The Company supports a variety of community organisations including service groups, sports teams, social programmes, schools, salmon conservation efforts and poverty relief in the communities where Mowi Scotland operates. This is achieved through cash or in-kind donations that may include fresh Atlantic salmon, used equipment, volunteering and participation in events by employees and their families.

The Environment

The Board believes that by farming the ocean Mowi can sustainably produce healthy, nutritious and affordable food for society at large. Mowi's stewardship of the environment is essential to reach our long-term goals and to safeguard the interests of all stakeholders while respecting the planet and helping local communities to flourish.

The environmental team at Mowi is multi-skilled across a range of scientific disciplines which means that the Company is able to properly assess the sustainability of fish farm locations whilst ensuring that we meet or exceed regulatory standards and conservation interests.

A robust Environmental Impact Assessment is undertaken for any proposed new site covering the impact on species or habitats of conservation importance; interaction with predators and wild salmonids; the impact on sensitive landscape receptors; impact on navigation, anchorage, commercial fisheries and other non-recreational maritime uses; waste management; noise; cultural heritage and the socioeconomic, access and recreational impact.

Principal Decisions

When making decisions, the directors have regard to the longer-term impact of such decisions and any possible impact on stakeholders. Examples of principal decisions made by the Board during the year 2020 include:

- Targeting to achieve Aquaculture Stewardship Council (ASC) certification at all freshwater loch and seawater production sites. These standards are the most robust and far-reaching environmental and social standards for global aquaculture going beyond local regulation examining water quality, environment quality, interactions with wildlife, communication with local communities, disease and lice levels. This certification provides reassurance for retailers and consumers that the salmon being purchased has been farmed responsibly and sustainably.
- Short and long term plans made to facilitate increased processing capacity taking account of the of customers, employees, the environment and the local communities.
- Directing the business to operate under Covid-19: ensuring that production of salmon and feed met the changing demands of the market while maintaining the welfare of the livestock and ensuring the safety of both employees and the communities in which the company operates.

Strategic Report (continued)

Principal Risks and uncertainties

The principal risks and uncertainties affecting the business are monitored and mitigated in our risk management policies and systems, part of the group's Risk Management System. These polices are embedded in all operational and financial processes across the Company and involve employees at all levels.

The directors are confident that they have reviewed their risk management position in light of the Covid-19 pandemic. The Company successfully adapted their processes to be able to operate within the limitations posed by the pandemic, as the conditions ease the experience and knowledge gained would allow the Company to adapt with minimal delay should there be any risk of similar measures being required moving ahead.

Impact of Covid 19

On 11 March 2020, the World Health Organisation declared Covid-19 as a pandemic. Shortly after this announcement, the UK and Scottish Governments published guidance for individuals and businesses including implementation of social distancing measures and advising people to stay at home including, where possible, working from home.

Covid-19 impacted on both the cost base and also the market for our products. The significant reduction in air travel resulted in a reduction in capacity for freight and an increase in the cost of alternative transport led to an increase in logistics costs. In addition the company has incurred significant investment in protective equipment, increased sanitation costs and costs incurred in ensuring employees safety when travelling to and between sites.

Sales which would normally have ultimately gone to the hospitality sector stopped virtually immediately when social distancing measures were implemented although this was partly offset by the increased demand from the supermarkets with whom the Company maintains strong relationships with the result that although there was an initial impact on prices achieved they have subsequently partly recovered.

The Company immediately adopted mitigating actions:

- redirecting supply to domestic retailers to avoid logistics issues and as a response to the change in consumer habits from eating out to eating at home
- social distancing measures were implemented: working from home where possible, screens and PPE introduced in processing plants, provision of safe social distancing travel to work
- ongoing liaison/support for suppliers and customers while applying strict credit control procedures and robust reviews of suppliers

As a result the Company has been able to operate effectively during the pandemic and is in a good position to be able to adjust to the opening up of the economy and the move back to normal trading conditions. The impact of Covid-19 has been fully incorporated into forecasts and the Strategic Plan on a worst case basis and show no cause for concern either in terms of profitability or cash flows.

Brexit

As we moved towards the end of the transition period at the end of 2020 Brexit continued to be an area of uncertainty. While the specific risks to trading within Europe were yet to be confirmed the company took steps to prepare, as far as possible, to mitigate these risks by identifying the key areas such as feed supply, the salmon market, labour availability, transport, the supply chain, stockholding and engineering.

In each area the risks were identified and plans put in place to limit the disruption that Brexit might have caused e.g. increased stock holdings, identifying alternative domestic suppliers, providing support and advice to employees, putting in place contingency plans for additional warehousing, all while liaising closely with both the Scottish and UK governments as well as other authorities.

The company assessed the potential impact of operating under the World Trade Organisation rules and the associated import tariffs and additional costs of documentation and certification would have on the companies finances.

The Company believes that they prepared, as far as is possible, to mitigate the risks of Brexit. Moving ahead the situation is constantly being monitored and plans are adapted and reviewed as required.

Strategic Report (continued)

Price Risk
Salmon is a commodity quoted on the Oslo Board of Trade for Salmon (Fishpool). Although the prices in Norway apply to Norwegian salmon, the Scottish salmon prices are highly correlated with the Norwegian salmon fishpool price. Salmon prices fluctuate significantly over time greatly influencing business profitability. To mitigate the risk of the adverse salmon price development, the Company has targeted between 40% and 70% of the production volume to be sold through contracts. Contracts are usually over one year with a fixed sales price and either a fixed or undefined sales volume.

Contractual risk

Contracts, which constitute around between 40% and 70% of Company sales, are the primary tool to mitigate the price risk however some of the contracts also fix supply volume. Overall, the Company's supply is highly dependent on the biological performance of the seawater biomass and could fluctuate significantly in the short term. Lack of availability could lead to early harvesting, which is not optimal from a cost perspective (marginal cost of production generally decreases with the increasing size of fish) or could risk breaching the sales contract with the customer. To avoid this, the Company has extensive information systems consisting of historical performance databases, mathematical modelling tools and a software platform which aims to forecast available production volume in each period with optimal accuracy.

Business Continuity

The Company maintains business continuity plans for each area, however this risk is relatively low compared to other businesses even after taking account of the potential impact of Covid-19. The business operates in many fresh and seawater farms in multiple locations, there are robust replacement plans in place, the practical experience and knowledge acquired during the pandemic would mean that mitigating measures could be implemented again with minimal delay should these be required and the potential disruption could be kept as low as possible.

Biological Risks

Fish health

- Sea lice: licensed medicines are only used when necessary, with a regime of early detection and treatment in addition to synchronous treatments and fallow periods within productions areas. The reduced sensitivity of sea lice to medicines and desire to move to non-therapeutant control measures have required alternative options to be utilised; in particular the increased use of cleaner fish such as wrasse and lumpsuckers. Commercial production of both species of cleaner fish continued during 2020
- Amoebic Gill Disease (AGD): rigorous monitoring and treatment procedures are in place.
- Pancreatic Disease (PD): strict monitoring regimes remain in place for PD, Heart and Skeletal Muscle Inflammation (HSMI) and Cardiomyopathy Syndrome (CMS)
- Physical damage is one of the main causes of mortalities on seawater farms. Improvements in design of cages and site equipment aims to minimize the risk of fish being damaged by the equipment

Environmental risk

- Predators: seals, birds and jellyfish can all cause fish mortality, mitigation measures are in place and are continually being reviewed. Seal deterrents are installed in the majority of farms.
- Meteorological: adverse and severe weather conditions can cause disruption to harvesting and production. This is constantly monitored and harvest plans are adapted where required. When planning the location of new sites any potential meteorological impact is examined and equipment appropriate to the location would be installed.
- The water quality and temperature vastly influence the biomass growth performance

Strategic Report (continued)

Financial risks

It is the Company's objective to manage its financial risks to minimise the adverse effects of fluctuations in the financial markets on its profits and cash flow. The Company utilises the resources of the Mowi Group to implement risk controls and loss mitigation plans to manage exposure to these risks. The Directors review and agree policies for managing risks which are summarised below:

Credit risk

The Company is exposed to counter-party risk in various areas of its operating and treasury activities. Credit risk arises primarily on the Company's operating financial assets and operating receivables, much of which is with undertakings of the Mowi Group. The carrying amount of trade and other receivables, cash and cash equivalents represent the Company's maximum exposure to credit risk. The risk of major financial loss would occur if the Company's main customer, a well-established and stable client, failed to honour its obligations under the contract.

The likelihood of this happening is considered low. The Group has allocated significant resources to a specific credit management team to minimise the credit risk in respect of its smaller but equally well-established customers.

During the Covid-19 pandemic the credit control procedures have been given additional focus both for large and small customers and as a result there has been no pressure on cash flows due to credit risk issues even through the peak of the pandemic.

Given the above, the directors consider the Company's exposure to credit risk to be acceptable.

Interest rate risk

The Company principally borrow funds from the Mowi Group at floating rates of interest, priced according to a GBP index based on London Interbank Overnight Rates (LIBOR).

Liquidity risk

The Company is party to a group cash pooling arrangement where each member deposits its cash excess in a current account with the Mowi Group and may borrow money in the form of short-term advances. The Mowi Group monitors the balances of all the cash pooling arrangements to ensure the facility stays in a net surplus position. Cash forecasts are undertaken regularly with the full impact of the Covid-19 pandemic incorporated on a worst case basis and these forecasts demonstrate that payment profiles can be honoured in full at the appropriate dates.

Foreign exchange risk

The Company has limited exposure to foreign currency risk in its normal trading activities as it operates in the UK and most of its trade and purchases are procured in pound sterling and as a result Covid-19 has only had a minimal impact on the Company's foreign exchange position. Where sales or purchases are contracted in foreign currency hedging contracts are entered into at the point of the commitment being entered into. At each reporting date all financial assets and financial liabilities are denominated in pound sterling.

Strategic Report (continued)

Financial KPIs

Performance Indicators

Key performance indicators of the Company include the monitoring of turnover, operating profit and profit on ordinary activities before taxation.

	2020	2019	% Change
Turnover	£357.3m	£401.5m	-11.0%
Operating Profit	£26.4 m	£95.6 m	-72.4%
Operating Profit %	7.06 %	23.5 %	-68.8%
Profit on ordinary activities before taxation	£24.9 m	£94.5 m	-73.3%

More detailed operational performance indicators include: smolt cost per fish; release from stock cost relating to marine operations; feed conversion ratio; relative growth index, processing cost per KG; throughput in fish / minute; lost time incidents; staff turnover; employee morale monitoring and sales price.

These performance indicators show a decrease in operational results in 2020 in comparison to 2019 largely down to a decrease in achieved sales price and a build up of biomass in 2019 facilitationg increased harvest tonnage.

This report was approved by the board on the 4th October 2021 and signed on its behalf.

Piotr Kapinos
Director

Directors' report

The directors present their report together with the audited financial statements of the company for the year ended 31st December 2020.

Results and dividends

The profit for the year, after taxation, amounted to £19.3m (2019: £76.9m). No dividend was paid or proposed. (2019: nil).

Principal activity

The principal activities of the company continue to be the farming, processing, distribution and sale of Scottish farmed salmon. The company's feed mill on the Isle of Skye supplies traditional and organic feed to both external parties within Europe and other group companies.

Directors

The directors during the year were:

B Hadfield
E McColl
P Kapinos

Future developments

Key areas of future development and performance of the business include:

- Increase of processing capacity to meet short term needs and long term expansion plans
- Sales development into overseas markets in line with company strategy, with strong sales to China.
- Strengthen direct sales to core markets, in particular to retailers in the UK; increase market share to existing key markets.
- Continue to deliver upon organic growth by improving fish health
- Volume growth based on the new licenses and increased maximum allowable biomass on some existing sites.
- Develop own production of cleaner fish: lumpfish and wrasse. Cleanerfish will be the primary protection against sea lice
- Environment and sustainability :
    - Improve fish feed sustainability
    - Improve fish health by disease mitigation, early detection and close biological performance monitoring.
    - Minimise environmental impact

Employees

The company implements a personnel policy and the guidelines on good practice that are appropriate to its operations, in order to meet the needs and expectations of the workforce, through performance appraisal, staff development and training. The company continued to hold meetings during the year to ensure the participation of employees in its affairs. 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. Wherever possible, continued employment is offered to persons who have become disabled during service.

Directors Report (continued)

Streamlined Energy and Carbon Reporting

Effective from 01 January 2020 reporting, the Company is required to report on energy consumption and greenhouse gas emissions, under the Streamlined Energy and Carbon Reporting (SECR) regulations. As this is the first year that the Company has undertaken SECR reporting, only the current year's data is presented. All data is solely related to the Company's UK activities.

Mowi has a proactive approach to energy management by monitoring monthly consumption figures and working towards CCA Targets at their processing site. Following ESOS audits LED lighting is installed as old units fail. Home working has been implemented through 2020 whilst ensuring the business processes continue.

Energy Consumption (kWh)	
Electricity	47,983,882
Gas	35,356,394
Transport Fuels	35,471,333
Other Fuels	140,312,869
Total	**259,124,477**

Greenhouse Gas Emissions (tCO_2e)	
Natural Gas	6,500.98
Transport Fuel for Company Vehicles	8,440.75
Transport Fuel for Staff Owned & Rental Vehicles	44.45
Other Fuels	21.69
Subtotal	**15,007.87**
From other Activities inc. Process & Fugitive	35,976.11
From Purchased Electricity, Steam, Heat & Cooling	11,186.96
Subtotal	**47,163.07**
Total Gross Emissions	**62,170.94**
Renewable Electricity	-
Carbon Offsets	-
Domestice Carbon Units	-
Total Net Emissions	**62,170.94**

Intensity Ratios	
Annual MWh per Tonnes of Production	4.91
Annual tCO_2e per Tonnes of Production	1.18

Directors Report (continued)

Streamlined Energy and Carbon Reporting continued

Methodology

Conversion Factors

All conversion factors and fuel properties used in this report have been taken from the 2020 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). Average fuel prices have been taken from "Retail Prices of Petroleum Products and Crude Oil Price Index" published by BEIS. All greenhouse gas emissions have been converted and expressed in terms of their carbon dioxide equivalence.

Utilities

Where possible, energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices. A number of the smaller consuming sites have invoices past the end of the financial year so the invoice has been apportioned up to the end of the financial year. Conversion factors for the average UK generation mix have been used to calculate greenhouse gas emissions.

Transport

The cost of fuel purchases for company owned vehicles has been taken from expense records with the quantity of fuel given in litres. The conversion factors for average forecourt blends have been used to calculate greenhouse gas emissions and underlying energy use. Some staff drive personal or leased vehicles and are reimbursed through mileage claims. The conversion factors for the average passenger vehicle with unknown fuel have been used to calculate greenhouse gas emissions and underlying energy use.

Other Fuels & Emissions

A number of new boats have been added in 2020 which has increased the Gas oil consumption. Kerosene and LPG also been used in the reporting period.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £345,371 (2019: £230,004).

Financial instruments

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level. Further information is provided in the principal risks and uncertainties in the Strategic Report.

Disclosure of information to the auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

Throughout 2021 the UK and Scottish Governments have continued to announce easing of restrictions in respect of the Covid-19 pandemic.

Directors Report (continued)

Within the Strategic Report on pages 2-8 and the going concern assessment below, further details have been provided on the key impacts of Covid-19 on the company's financial projections and the directors assessment of the impact of the pandemic moving ahead.

The directors' conclusion is that the easing of restrictions and the opening up of economies will have a positive effect on the Company and if there happened to be any reversal of the path out of the pandemic then the Company would adapt as it has throughout 2020. Therefore the directors consider that Covid-19 is a non-adjusting post balance sheet event and no year end positions have been reconsidered.

Going concern

The company's business activities, together with the factors likely to affect its financial position and its exposure to credit, liquidity and interest rate risk are described in the Strategic Report on pages 2 - 8.

The financial statements have been prepared on the going concern basis. The parent, MOWI ASA., has provided a letter of support confirming it will provide support for the period through to 30 September 2022. The directors of the Company have considered the ability of the parent to provide financial support through directly reviewing the going concern assessment of the parent. The parent company financial statements for the year ended 31 December 2020, having adopted the going concern basis of preparation, were approved by its directors on 23 March 2021.

In assessing the basis of preparation of the financial statements, the parent has undertaken an assessment of going concern, considering financial forecasts for the period to 30 September 2022. The parent delivered year on year growth in underlying profitability and cash generation in the year ended 31 December 2020, despite the impact of COVID-19. The directors of the parent considered financial forecasts and utilised scenario analysis to test the adequacy of the parent's liquidity. This included confirming that the parent will be cash positive under what it believes is the most likely worst case scenario. As a result, the parent continues to adopt the going concern basis of accounting in preparing the group financial statements.

Taking the parent going concern assessment into consideration, the board of directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support through to at least 30 September 2022.

Brexit

On 01 January 2021, at the end of the transition period, the United Kingdom left the European Union.

In the days leading up to the end of the transition period, the UK and the EU reached an agreement which allows goods to be traded without extra tariffs or limits on the quantities, however, the resulting changes in systems and processes posed significant challenges for the seafood sector as a whole.

Additional documentation checks and an increase in the time to clear customs in France resulted in a 12 hour increase in the time to market and under new regulations, it is estimated that the additional administrative burden will add a further £1m of costs to the business.

The multi-disciplinary teams from the Scottish Salmon Producers Organisation (SSPO), Food and Drink Scotland, Food Standards Scotland and the Scotting Government have, and continue to be, extremely supportive in facilitating a smooth supply chain and Mowi Scotland continues to be well represented at all government and industry related workstreams.

Despite the challenges posed by the UK's exit from the EU, Mowi Scotland was the first company to deliver seafood into the EU in January and has kept the flow of product into the EU at normal levels and the feed mill on the Isle of Skye delivered on the goal to be self-sufficient for all feed requirements in Europe.

The Company believes that it was well prepared to mitigate against any risks to the supply chain post-Brexit but it continues to monitor the situation and plans are adapted and reviewed as required.

Directors Report (continued)

Ocean Matters

Subsequent to the balance sheet date, lumpfish flavivirus, a virus which is present in lumpfish at all stages of production, was detected at Ocean Matters, a 100% subsidiary of Mowi Scotland Ltd.

Flavivirus has been associated with high mortality in lumpfish (mortality rates of between 5% and 60% in fish > 5 grams) with the virus present in most tissue but elevated in the liver and kidney, although it has also been detected in lumpfish with no clinical signs.

A suite of testing, including tissue diagnosis, established the extent of positivity in the stock and the stage of viraemia. Due to increasing mortality trends, moribund and on fish welfare grounds, the entire stock of lumpfish was humanely culled during June 2021 and July 2021.

The site was cleaned and disinfected and following a 6-week fallow period, production began again in September 2021.

Whilst the risk of future disease outbreaks cannot be eliminated, the risks can be reduced by improving systems biosecurity combined with increased testing going forward.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on the 4th October 2021 and signed on its behalf.

Piotr Kapinos
Director

Statement of directors' responsibilities in respect of the Report and financial statements

The directors are responsible for preparing the Strategic and Directors' Reports 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) including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland. 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 judgments and 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; and
- 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 proper 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 its 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 MOWI SCOTLAND LIMITED

Opinion

We have audited the financial statements of MOWI Scotland Limited for the year ended 31 December 2020 which comprise of the Statement of Income, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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 12 months from when the financial statements are authorised for issue. Cashflows are forecasted to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS MOWI SCOTLAND LIMITED (CONTINUED)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS MOWI SCOTLAND LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, food standards, employees, GDPR and anti-bribery and corruption.
- We understood how MOWI Scotland Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures and corroborated responses by obtaining and reviewing supporting documentation. We also inspected correspondence with relevant external authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries with management to understand and identify the internal policies and procedures related to the identification and monitoring of fraud risks. We considered the opportunity and incentives for the perpetration of fraud based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, journal entry testing and revenue recognition procedures. Where the risk was considered to be higher, including areas impacting key indicators or management remuneration, we performed audit procedures to address identified fraud risk or other risk of material misstatement. These procedures included revenue recognition procedures that involved testing full populations of transactions using data analysis, including correlation analysis between invoiced revenue, receivables and cash, as well as analysis of credit notes. We performed a search for revenue recorded through journal entries outside the normal business process and investigated any unusual items to establish whether a sale had occurred in the financial year to support revenue recognised.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS MOWI SCOTLAND LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Paul Copland (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
Edinburgh

Date 7 October 2021

Statement of income
for the year ended 31 December 2020

	Note	2020	2019
		£000	£000
Turnover: continuing operations	2	**357,280**	401,484
Cost of sales		**(295,335)**	(279,697)
Gross profit		**61,945**	121,787
Distribution costs		**(24,236)**	(26,787)
Administrative costs		**(19,329)**	(12,321)
Other operating income	6	**7,992**	12,927
Operating profit: continuing operations		**26,372**	95,606
(Loss) / Gain on sale of fixed assets		**(83)**	390
Other interest receivable and similar income	7	**322**	243
Interest payable and similar charges	8	**(1,900)**	(2,103)
Other finance income	9	**203**	391
Profit on ordinary activities before taxation	3	**24,914**	94,527
Tax on profit on ordinary activities	10	**(5,620)**	(17,589)
Profit for the financial year	20	**19,294**	76,938

Statement of Comprehensive Income
For the year ended 31 December 2020

		2020	2019
		£000	£000
Profit for the financial year		**19,294**	76,938
Remeasurement profit recognised in the pension scheme	24	**3,902**	(3,741)
Total other comprehensive income/ (expense) for the year		**3,902**	(3,741)
Total comprehensive income for the year		**23,196**	73,197

Statement of financial position
at 31 December 2020

	Note	**2020**		2019	
		£000	**£000**	£000	£000
Non-current assets					
Intangible assets	*11*	**981**		1,297	
Tangible assets	*12*	**256,543**		256,793	
Investments	*13*	**15,170**		11,370	
Pension Surplus	*24*	**11,200**		6,319	
			283,894		275,779
Current assets					
Stock	*14*	**197,390**		159,723	
Debtors	*15*	**47,632**		60,882	
Cash at bank and in hand		**1,226**		433	
		246,248		221,038	
Creditors: amounts falling due within one year	*16*	**(140,964)**		(135,265)	
Net current assets			**105,284**		85,773
Total assets less current liabilities			**389,178**		361,552
Non-current liabilities					
Accruals and deferred income	*17*	**(395)**		(600)	
Deferred Taxation	*18*	**(14,630)**		(9,995)	
			(15,025)		(10,595)
Net assets			**374,153**		350,957
Capital and reserves					
Called up share capital	*19*		**200**		200
Share premium account	*20*		**442**		442
Retained Earnings	*20*		**373,511**		350,315
			374,153		350,957

These financial statements were approved by the board of directors on the 4th October 2021 and were signed on its behalf by:

Piotr Kapinos
Director
CO REG. SC138843

Statement of Changes in Equity
For the year ended 31 December 2020

	Called Up Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2019	**200**	**442**	**277,118**	**277,760**
Profit for the year	-	-	76,938	76,938
Other comprehensive income	-	-	(3,741)	(3,741)
Total comprehensive income for the year	-	-	**73,197**	**73,197**
Balance at 31 December 2019	**200**	**442**	**350,315**	**350,957**
Profit for the year	-	-	19,294	19,294
Other comprehensive income	-	-	3,902	3,902
Total comprehensive income for the year	-	-	**23,196**	**23,196**
Balance at 31 December 2020	**200**	**442**	**373,511**	**374,153**

Notes to the financial statements
For the year ended 31st December 2020

1 Accounting policies

Statement of compliance

Mowi Scotland Limited is a limited liability company incorporated in Scotland. The Registered Office is Admiralty Park, Admiralty Road, Rosyth, Fife, KY11 2YW.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2020.

Basis of preparation

The financial statements of Mowi Scotland Limited were authorised for issue by the Board of Directors on the 4th October 2021. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company, rounded to the nearest £'000.

The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Mowi ASA which is registered in Norway. Accordingly, these financial statements are those of the company alone and not its group.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 and the Companies Act 2006.

Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Mowi ASA was notified of, and did not object to, the use of these reduced disclosure exemptions.

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 financial instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other financial instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based payments paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related party transactions paragraph 33.7.

The consolidated financial statements of Mowi ASA can be obtained from the address provided in note 27.

Impact of Covid-19

The Strategic Report on pages 2-8 sets out the details of the risks relating to the Covid-19 pandemic. The ongoing potential impact of Covid-19 has been considered in the preparation of the financial statements including our evaluation of going concern and critical accounting estimates and adjustments. There have been no material adjustments to any items in these financial statements resulting from Covid-19.

Going Concern

The company's business activities, together with the factors likely to affect its financial position and its exposure to credit, liquidity and interest rate risk are described in the Strategic Report on pages 2 - 8.

The financial statements have been prepared on the going concern basis. The parent, MOWI ASA., has provided a letter of support confirming it will provide support for the period through to 30 September 2022. The directors of the Company have considered the ability of the parent to provide financial support through directly reviewing the going concern assessment of the parent. The parent company financial statements for the year ended 31 December 2020, having adopted the going concern basis of preparation, were approved by its directors on 23 March 2021.

Notes to the financial statements (continued)
For the year ended 31st December 2020

1 Accounting policies (continued)

Going Concern (continued)

In assessing the basis of preparation of the financial statements, the parent has undertaken an assessment of going concern, considering financial forecasts for the period to 30 September 2022. The parent delivered year on year growth in underlying profitability and cash generation in the year ended 31 December 2020, despite the impact of COVID-19. The directors of the parent considered financial forecasts and utilised scenario analysis to test the adequacy of the parent's liquidity. This included confirming that the parent will be cash positive under what it believes is the most likely worst case scenario. As a result, the parent continues to adopt the going concern basis of accounting in preparing the group financial statements.

Taking the parent going concern assessment into consideration, the board of directors of the Company have a reasonable expectation that the parent has sufficient resources to provide ongoing financial support through to at least 30 September 2022

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Tangible fixed assets, other than freehold land and assets in the course of construction, are depreciated to residual values on a straight-line basis over their estimated useful lives, which for the major categories, are:

Freehold buildings	15 years
Leasehold buildings	Straight line over the period of the lease
Plant and machinery	2.5 – 10 years
Motor vehicles	5 years

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable.

Assets in the course of construction are not depreciated during the construction phase. On completion all assets will be transferred into the appropriate asset category and will be depreciated per the stated accounting policy

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss, unless that asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease. An impairment loss recognised for assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets or liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Long term monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes to the financial statements (continued)
For the year ended 31st December 2020

1 Accounting policies (continued)

Derivative financial instruments and hedging

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently revalued at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to profit and loss.

Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal monthly instalments.

Leases

Assets held under finance leases are capitalised at their fair value with a corresponding amount treated as a liability. Operating lease payments are taken to profit and loss on a straight-line basis over the life of the lease.

Post-retirement benefits

The company participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. This scheme is closed to further accruals.

Pension scheme assets are measured using market values based on current bid price. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, net interest and, in the statement of other comprehensive income, actuarial gains and losses. Re-measurements are not reclassified to profit and loss in subsequent periods.

In addition the company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to profit and loss represents the contributions payable to the scheme in respect of the accounting period.

Research and development

Research and development expenditure is written off as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of fish the cost includes direct expenditure and an appropriate proportion of overheads.

Normal fish mortalities arising in the sea are absorbed into the cost of the remaining stock. Abnormal mortalities are written off to cost of sales in the year in which they occur.

Current and deferred taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.
Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the Balance sheet date, except that:

Notes to the financial statements (continued)
For the year ended 31st December 2020

1 Accounting policies (continued)

Current and deferred taxation (continued)

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit or loss in administration costs.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue in respect of the sale of fish is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Investments

The Company records its investments at historical cost less impairment. The investments are reviewed regularly for signs of impairment. Should there be evidence of impairment, the quantum of that impairment will be assessed by the use of a discounted cash flow analysis of that investment. Any impairment may be reversed in subsequent years but the revised value of the investment will not exceed its historic cost.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

The company has entered into commercial leases and as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Licenses

The company is required to obtain a license for each fish farm owned and operated. These licenses have indefinite lives, subject to certain requirements, and the company risks penalties or sanctions if it fails to comply with license requirements or related regulations. FRS 102 does not permit the non-amortisation of indefinite life intangible assets and accordingly these are amortised over a ten year period.

The following are the company's key sources of estimation uncertainty:

Notes to the financial statements (continued)
For the year ended 31st December 2020

1 Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Stocks

Stocks comprise biological assets, including eggs, juveniles, smolt and fish in the sea. These stocks are stated at the lower of cost and net realisable value. The estimation of net realisable value relies on a series of assumptions including biomass volume, biomass quality, and size distribution. The company measures all deviations in biomass volume compared to estimates when a site is harvested out. Except for situations where there has been an incident causing mass mortality, particularly early in the cycle, combined with an inability to count and weigh fish after the event in fear of further stressing the fish, the volume deviations are normally minor. Similarly, excluding the effects of soft flesh and melanin, the quality of the fish can normally be estimated with a relatively high degree of accuracy. Categorisation of quality is normally based on averages, but can be set individually by site when needed. The size distribution shows some degree of variation but normally not to an extent that significantly changes the estimated net realisable value of the biomass.

The key element in the estimation of net realisable value is the estimated selling price less any further costs expected to be incurred to the point of sale. The accumulated cost of the fish per kilogram will only deviate from the estimate if the volume is different from the estimate. For the estimation of future costs, there is uncertainty with regard to feed prices, other input costs and biological development. Cost deviations are measured against budget. Excluding special incidents the deviations in costs vs budgets are normally limited for a group of sites, although individual sites might show deviations. The estimated selling price is derived from a variety of sources, normally a combination of the prices achieved in the previous month and contracts most recently entered into.

Pension benefits

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the UK. Future pension increases are based on expected future inflation rates for the UK. Further details are given in note 24.

The following accounting policies have been applied consistently in dealing with those items which are considered material to the company's financial statements:

Intangible Assets

Farming licenses which have been purchased are capitalised at cost. Subsequent to initial recognition, farming licenses are stated at cost less accumulated amortisation and accumulated impairment. The directors consider that as long as activities are carried out in accordance with the terms of the licenses they are held for an indefinite period. However FRS 102 considers that all intangible assets have a finite useful life. As it is not possible to make a reliable estimate of that useful life, in accordance with FRS 102 the maximum amortisation period of 10 years is applied to the licenses. The carrying value of intangible assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements (continued)
For the year ended 31st December 2020

2 Analysis of turnover

The company engages in only one class of business, the sale of Scottish farmed salmon. All turnover arose in the UK, and was sold to the following geographical areas:

	2020	2019
	£000	£000
UK	**161,980**	195,167
Europe	**184,641**	165,915
North America	**6,257**	17,898
Rest of the World	**4,402**	22,504
	357,280	401,484

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation was after charging / (crediting):

	2020	2019
	£000	£000
Auditors' remuneration - audit of these financial statements	**124**	85
Depreciation of fixed assets	**26,950**	21,129
Amortisation of intangible assets	**316**	316
Operating lease payments - plant and machinery	**24,560**	16,125
- land and buildings	**1,619**	1,400
Foreign exchange differences	**2,464**	(2,553)
Research and development costs	**1,018**	933

Fees of £351,947 (2019 £728,978) were accrued for payment to the Company's auditors for the provision of R&D tax services. The services were approved by the Mowi ASA Audit Committee and performed by a separate tax team.

4 Remuneration of directors

	2020	2019
	£000	£000
Directors' emoluments (including taxable benefits)	**925**	1,146

The emoluments of the highest paid director were £446,460 *(2019: £429,458)*. The highest paid director is a member of the money purchase scheme, the company's contributions to this fund on his behalf in the year were £7,500 *(2019: £26,297)*.

At year end 2 directors *(2019: 2)* were accruing benefits under the money purchase pension scheme, 1 director *(2019: 1)* is accruing entitlements under the group share option scheme and 1 director (2019: 1) exercised options under the group share option scheme.

Notes to the financial statements (continued)
For the year ended 31st December 2020

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2020 No.	2019 No.
Production	**780**	755
Marketing, selling and distribution	**22**	31
Administration	**43**	41
	845	827

The aggregate payroll costs of staff were as follows:

	£000	£000
Wages and salaries	**32,117**	30,093
Social Security costs	**3,229**	3,066
Other pension costs	**1,555**	1,749
	36,901	34,908

Share Based Payments

The Mowi ASA group has a share option scheme which can be settled in cash. Share options are granted to management.

The carrying amount of the liability relating to the cash-settled options at 31 December 2020 is £564,129. (2019 – £511,435).

6 Other operating income

	2020 £000	2019 £000
Release of grant	**93**	132
Intercompany Loan Waiver	**-**	1,378
Hire out of equipment/property	**1,656**	1,735
Shared Services Income	**150**	150
R&D Tax Credit	**2,989**	6,344
Sales Commission	**-**	164
Compensation	**-**	33
Insurance Claim	**560**	220
Third Party Processing	**2,500**	2,715
Misc	**44**	56
	7,992	12,927

Notes to the financial statements (continued)
For the year ended 31st December 2020

7 Other interest receivable and similar income

	2020	2019
	£000	£000
Bank interest received	**105**	80
Inter-company interest received	**209**	155
Interest Received Other	**7**	8
	322	243

8 Interest payable and similar charges

	2020	2019
	£000	£000
On inter-company borrowings	**(1,894)**	(2,085)
Interest Paid Other	**(6)**	(18)
	(1,900)	(2,103)

9 Other finance income

	2020	2019
	£000	£000
Net interest income from pension scheme	**203**	391
	203	391

10 Tax on profit on ordinary activities

	2020	2019
Analysis of charge in year	**£000**	£000
UK corporation tax	**3,949**	14,479
Adjustments in respect of prior years	**(2,964)**	(2,735)
Amounts payable to group companies for group relief (PY)	**-**	(29)
Total current tax	**985**	11,715
Deferred taxation	**1,548**	2,870
Effect of changes in prior year	**1,710**	3,004
Effect of changes in tax rate	**1,377**	-
Total deferred tax	**4,635**	5,874
Tax on profit on ordinary activities	**5,620**	17,589

Notes to the financial statements (continued)
For the year ended 31st December 2020

10 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current year
The total tax charge for the year is higher *(2019: lower)* than the standard rate of corporation tax in the UK (19%) *(2019:19%)*. The differences are explained below:

	2020	2019
	£000	£000
Profit on ordinary activities before tax	**24,914**	94,527
Profit on ordinary activities multiplied by the standard rate of Corporation tax of 19% *(2019:19%)*	**4,734**	17,960
Effects of:		
Income not taxable	**(606)**	(1,279)
Pension cost charge in excess of pension cost relief	**(209)**	(209)
Costs not deductible	**1,578**	1,215
Tax Rate Changes	**-**	(338)
Adjustment in respect of prior years	**123**	240
Total tax charge (see above)	**5,620**	17,589

Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 – 17%) which represents the future corporation tax rate that was enacted at the balance sheet date. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the group's deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax charge of £4.6m.

Notes to the financial statements (continued)
For the year ended 31st December 2020

11 Intangible Assets

	Software £'000	Farm Licenses £'000	Total £'000
Costs			
At beginning of year	125	2,994	3,119
Additions	-	-	-
At end of year	125	2,994	3,119
Amortisation			
At beginning of year	106	1,716	1,822
Charge for the year	16	300	316
At end of year	122	2,016	2,138
Net Book Value			
At 31st December 2020	**3**	**978**	**981**
At 31st December 2019	**19**	**1,278**	**1,297**

Notes to the financial statements (continued)
For the year ended 31st December 2020

12 Fixed assets – tangible

	Land and buildings				
		Freehold	*Leasehold*		
	Land	***Buildings***	***Buildings***	***Plant***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***
Cost					
At beginning of year	1,648	78,185	26,356	267,459	373,650
Additions	-	12,508	(5,954)	20,777	27,331
Disposals	-	-	-	(1,762)	(1,762)
At end of year	1,648	90,693	20,402	286,474	399,217
Depreciation					
At beginning of year	-	2,231	4,238	110,388	116,857
Charge for year	-	3,380	943	22,627	26,950
Disposals	-	-	-	(1,133)	(1,133)
At end of year	-	5,611	5,181	131,882	142,674
Net book value					
At 31 December 2020	**1,648**	**85,082**	**15,221**	**154,592**	**256,543**
At 31 December 2019	**1,648**	**75,954**	**22,118**	**157,073**	**256,793**

Included above are assets in the course of construction amounting to £11.2m. (*2019: £40.8m*).

13 Fixed Asset Investments

Subsidiary Undertakings	**£'000**
At beginning of year	11,370
Additions in the year	3,800
At end of year	**15,170**

On 31 March 2020, Mowi Scotland purchased 100% of the shares in Finfish Ltd on a cash free debt free basis. Finfish is an active company, based in Ullapool, Scotland, currently producing 3.6 million large, vaccinated parr and is
one of the largest traditional flow-through farms in Scotland. On completion, Mowi Scotland obtained ownership and control of the assets of the company which comprises a fish hatchery and three residential properties.

Notes to the financial statements (continued)
For the year ended 31st December 2020

13 Fixed Asset Investments (continued)

The following were subsidiary undertakings of the company at 31 December 2020:

Name	Class of Shares	Holding
Dorset Cleaner Fish Limited	Ordinary	51%
Mowi Consumer Products UK Limited	Ordinary	100%
Anglesey Aquaculture Ltd	Ordinary	100%
Ferguson Salmon Limited	Ordinary	100%
Ocean Matters Limited	Ordinary	100%
Ocean Matters Limited	Series A	100%
Finfish Limited	Ordinary	100%

These subsidiary undertakings were incorporated in the United Kingdom.

14 Stock

	2020	2019
	£'000	£'000
Raw materials and consumables	**25,886**	25,184
Fish	**156,893**	129,034
Finished goods	**14,611**	5,505
	197,390	159,723

Stock recognised as an expense in the period was £205,571k (2019:£216,424k).

15 Debtors

	2020	2019
	£'000	£'000
Due within one year:		
Trade debtors	**10,559**	10,195
Amounts owed by group undertakings	**22,681**	36,076
Other debtors	**8,867**	9,778
Prepayments and accrued income	**5,525**	4,833
	47,632	60,882

Notes to the financial statements (continued)
For the year ended 31st December 2020

16 Creditors: amounts falling due within one year

	2020 **£'000**	2019 £'000
Trade creditors	**35,211**	27,934
Amounts owed to group undertakings	**100,704**	91,115
Amounts due under finance leases	**-**	16
Corporation tax	**(5,242)**	3,823
Social security and other taxes	**43**	864
Other sundry creditors	**12**	31
Accruals and deferred income	**10,236**	11,482
	140,964	135,265

17 Accruals and deferred income

Grants	**2020** **£'000**	2019 £'000
At beginning of year	**600**	732
Received during year	**-**	-
Released to the profit and loss account	**(205)**	(132)
	395	600

18 Deferred taxation

	2020 **£000**	2019 £000
At beginning of year as previously stated – (liability)	**(9,995)**	(4,121)
Transfer from the profit and loss account	**(4,635)**	(5,874)
At end of year – liability	**(14,630)**	(9,995)

The elements of deferred tax are as follows:

	2020 **£'000**	2019 £'000
Difference between accumulated depreciation and capital allowances	**(14,630)**	(9,995)
Deferred tax liability	**(14,630)**	(9,995)

Notes to the financial statements (continued)
For the year ended 31st December 2020

19 Called up share capital

	2020 £'000	2019 £000
Authorised:		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid:		
200,002 ordinary shares of £1 each	**200**	200

20 Reserves

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

Retained earnings

As at 1 January 2020	**350,315**
Profit for the Year	19,294
Return on scheme assets (excluding amount included in net interest)	8,308
Actuarial loss on defined benefit pension scheme	(1,777)
Restriction on pension surplus recognised	(2,629)
As at 31 December 2020	**373,511**

21 Capital commitments

There are capital commitments of £2.91m as at 31 December 2020. (*2019:£3.43m*).

22 Forward Currency Contracts

The fair value of forward currency contracts at 31 December 2020 included in the balance sheet were in respect of a purchases liability of £189,280 (2019 liability of £755,163) and in respect of sales an asset of £32,243 (2019 a asset of £221,067).

23 Operating lease obligations

Future minimum rentals payable under non-cancellable operating leases as set out below:

	2020 £'000	2019 £'000
Within one year	**33,421**	11,443
Within two to five years	**70,547**	29,365
In more than five years	**14,787**	22,091
	118,755	62,899

Notes to the financial statements (continued)
For the year ended 31st December 2020

24 Pension schemes

Defined Contribution scheme

The amount recognised in the profit and loss account as an expense in relation to the company's defined contribution scheme is £1.4m (2019 £1.6m). There were no amounts owing at the beginning or end of the year.

Defined Benefit Scheme

Mowi Scotland Limited ("the Company") sponsors Mowi Scotland Pension Scheme ("the Scheme"), a funded defined benefit pension scheme in the UK. The scheme is set up on a tax relieved basis as a separate trust independent of the Company and is supervised by an independent Corporate Trustee. The Trustee is responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

The Company pays contributions to the scheme as determined by regular actuarial valuations. The Trustee is required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

The most recent formal actuarial review of the scheme recorded a shortfall. Under the recovery plan agreed between the Company and the Trustee for the valuation as at 31st December 2018, the Company agreed to pay £1.1m per year until 31 December 2021.

The results of the valuation as at 31 December 2018 have been projected to 31 December 2020 with allowance for payments made from the scheme in the intervening period and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the statement of financial position are as follows:

	2020	2019
	£000s	£000s
Defined benefit obligation	**(64,586)**	(64,279)
Fair Value of plan assets	**81,817**	74,000
Net defined benefit asset	**17,231**	9,721
Restriction on asset recognised	**(6,031)**	(3,402)
Net amount recognised at year end	**11,200**	6,319

Notes to the financial statements (continued)
For the year ended 31st December 2020

24 Pension schemes (continued)

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in profit or loss. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2020 £000s	2019 £000s
Service Cost:		
Current service cost (net of employee contributions)	-	-
Administration Expenses	-	-
Loss on plan introductions, changes, curtailments and settlements	324	-
Net Interest Income	(203)	(391)
Charge / (credit) recognised in profit or loss	121	(391)
Remeasurements of the net liability:		
Return on Scheme Assets (excluding amount included in net interest expenses)	(8,308)	(6,328)
Actuarial gains	1,777	11,281
Adjustment for restrictions on the asset recognised	2,629	(1,212)
Credit recorded in other comprehensive income	(3,902)	3,741
Total defined benefit (credit) / cost	(3,781)	3,350

The principal actuarial assumptions used were:

	2020	2019
Liability Discount Rate	1.40%	2.00%
Inflation assumption - RPI (pre - 2030)	2.80%	3.25%
Inflation assumption - RPI (post - 2030)	2.60%	3.25%
Inflation assumption - CPI (pre - 2030)	2.10%	2.25%
Inflation assumption - CPI (post - 2030)	2.60%	2.25%
Rate of increase in deferred pensions		
Mowi members (CPI linked)	2.25%	2.25%
Trouw and Level 200 members (RPI linked)	3.25%	3.25%
Rate of increase in pensions in payment		
Marine Harvest and Trouw members	3.25%	3.25%
Level 200 members	3.25%	3.25%
Proportion of employees commuting pension for cash	0.00%	0.00%
Proportion of employees opting for early retirement	0.00%	0.00%
Expected age at death of current pensioner at age 65:		
Male aged 65 at year end	86.9	86.9
Female aged 65 at year end	89.2	89.2
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end	87.9	87.9
Female aged 45 at year end	90.4	90.3

Notes to the financial statements (continued)
For the year ended 31st December 2020

24 Pension schemes (continued)

Reconciliation of scheme assets and liabilities

	Assests £000s	Liabilities £000s	Total £000s
At start of period	**74,000**	**(64,279)**	**9,721**
Benefits paid	(2,996)	2,996	-
Contributions from the employer	1,100	-	1,100
Interest income / (expenses)	1,461	(1,258)	203
Return on assets (excluding amount included in net interest expense)	8,308	-	8,308
Actuarial gains / losses	-	(1,777)	(1,777)
Gain/(Loss) on plan introductions and changes	(56)	(268)	(324)
At end of period	**81,817**	**(64,586)**	**17,231**

The return on plan assets was:	**2020**	2019
	£000s	£000s
Interest Income	**1,461**	1,888
Return on plan assets (excluding amount included in net interest expenses)	**8,308**	6,328
Total return on plan assets	**9,769**	8,216

Scheme assets

The major categories of scheme assets are as follows:	**2020**	2019
	£000s	£000s
UK Equities	**8,330**	9,526
Overseas Equities	**18,085**	16,229
Corporates	**5,125**	5,242
Gilts	**8,292**	7,306
Index Linked	**29,619**	25,643
LDI	**12,012**	8,812
Other (Insured Annuities)	**269**	92
Cash	**85**	1,150
Total market value of assets	**81,817**	74,000

The scheme has no investments in the Company or in property occupied by the Company.

Notes to the financial statements (continued)
For the year ended 31st December 2020

24 Pension schemes (continued)

Retirement Age

Following (a) the Trustee's and the Company's receipt of an Opinion from Counsel, regarding the restricted availability of retirement at age 60 unreduced and without requiring consent, and (b) the Company's withdrawal of widespread consent to early retirement, it has been assumed that all members will retire at age 65 with late retirement factors being applied to certain tranches of benefit as identified in the Opinion.

25 Related party transactions

The company is controlled by Mowi ASA. In accordance with FRS 102 the company is exempt from disclosing details of arrangements with other companies in the group.

Key management personnel
The remuneration of key management personnel is provided in note 4, being the remuneration of directors in the period.

26 Ultimate parent undertaking

The company's ultimate parent undertaking is Mowi ASA, which is registered in Norway. Group accounts of Mowi ASA are available from the Company Secretary at PO Box 4102, Sandviken, 5835 Bergen, Norway.

The smallest and largest group in which the company is included is Mowi ASA.

27 Post balance sheet event

Brexit

On 01 January 2021, at the end of the transition period, the United Kingdom left the European Union.

In the days leading up to the end of the transition period, the UK and the EU reached an agreement which allows goods to be traded without extra tariffs or limits on the quantities, however, the resulting changes in systems and processes posed significant challenges for the seafood sector as a whole.

Additional documentation checks and an increase in the time to clear customs in France resulted in a 12 hour increase in the time to market and under new regulations, it is estimated that the additional administrative burden will add a further £1m of costs to the business.

The multi-disciplinary teams from the Scottish Salmon Producers Organisation (SSPO), Food and Drink Scotland, Food Standards Scotland and the Scotting Government have, and continue to be, extremely supportive in facilitating a smooth supply chain and Mowi Scotland continues to be well represented at all government and industry related workstreams.

Despite the challenges posed by the UK's exit from the EU, Mowi Scotland was the first company to deliver seafood into the EU in January and has kept the flow of product into the EU at normal levels and the feed mill on the Isle of Skye delivered on the goal to be self-sufficient for all feed requirements in Europe.

The Company believes that it was well prepared to mitigate against any risks to the supply chain post-Brexit but it continues to monitor the situation and plans are adapted and reviewed as required.

Notes to the financial statements (continued)
For the year ended 31st December 2020

27 Post balance sheet event (continued)

Ocean Matters

Subsequent to the balance sheet date, lumpfish flavivirus, a virus which is present in lumpfish at all stages of production, was detected at Ocean Matters, a 100% subsidiary of Mowi Scotland Ltd.

Flavivirus has been associated with high mortality in lumpfish (mortality rates of between 5% and 60% in fish > 5 grams) with the virus present in most tissue but elevated in the liver and kidney, although it has also been detected in lumpfish with no clinical signs.

A suite of testing, including tissue diagnosis, established the extent of positivity in the stock and the stage of viraemia. Due to increasing mortality trends, moribund and on fish welfare grounds, the entire stock of lumpfish was humanely culled during June 2021 and July 2021.

The site was cleaned and disinfected and following a 6-week fallow period, production began again in September 2021.

Whilst the risk of future disease outbreaks cannot be eliminated, the risks can be reduced by improving systems biosecurity combined with increased testing going forward.