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COMPANY REGISTRATION NUMBER: SC262080

Aquascot Limited
Financial Statements
31 January 2020



RITSONS
Chartered Accountants & Statutory Auditors
Forbes House
36 Huntly Street
Inverness
IV3 5PR

Aquascot Limited
Financial Statements
Year ended 31 January 2020

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Aquascot Limited

Officers and Professional Advisers

The board of directors

Mr F Bullock
Mr D Overton
Mr C Douglas
Mr P Campbell
Mr J Housego
Mr S Wrench

Company secretary

Simon Wrench

Registered office

Pentland House
Fyrish Way
Alness
Ross-Shire
IV17 0PJ

Auditor

Ritsons
Chartered Accountants & Statutory Auditors
Forbes House
36 Huntly Street
Inverness
IV3 5PR

Bankers

HSBC Bank PLC
50/52 High Street
Inverness
IV1 1JE

Solicitors

Ledingham Chalmers
Kintail House
Beechwood Business Park
Inverness
IV2 3BW

Aquascot Limited

Strategic Report

Year ended 31 January 2020

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

BUSINESS MODEL

The Aquascot Salmon and Sea Grown Trout Hub, (The Hub) is a unique series of structured, long term collaborations that have been built to provide Aquascot customers with a high-quality range of farmed salmon and sea grown trout.

The Hub sits at the centre of a complex ecosystem of inter-relationships, unlike any other known in aquaculture. Beyond core expertise in the processing of food and new product development The Hub is characterised by:

- A demanding commitment to deliver quality products of value with great taste, texture, and provenance
- Long term, structured agreements between the various actors, rather than short-term transactional approaches, allowing a holistic approach to be taken
- Involvement of several fish-farming supply partners, rather than single sourcing
- High levels of both retail and farming data being available to and shared by the Hub
- Prioritising and directing research and continuous improvement in feed, farming, processing, and supply chain
- A commitment to environmental sustainability, high animal welfare and positive outcomes for the communities in which Hub ecosystem businesses operate
- Active engagement in the policy and legislative arenas
- Providing confidence, thought leadership and a consistently open approach to engaging with Hub partners
- The holding of deep knowledge and a growing amount of intellectual property

BUSINESS REVIEW AND KPIS

The directors continue to review the strategic direction of the company, in doing so creating a long-term sustainable business. Sales volume increased by 7.1% compared to the previous year. Turnover at £65,086,047 was up 6.7%.

Operating performance and efficiency improvements during the year helped generate a gross profit of £7,183,235 with a gross margin of 11%. This was an improvement on the previous year's profit of £6,739,467 and gross margin of 10.5% and continues the positive year on year trend of increasing gross margin %.

Increased gross profits were reinvested in product and market development, employee partners and process improvements.

Continuing to deliver its strategy to invest in the company's partners, comprehensive leadership development training for the senior management team was delivered with a training programme for (team managers) schedule to run throughout 2020.

In addition, the company invested significant time and resource in refreshing the company values. The rollout of the new values commenced in November and will become part of the "behavioural competency" model in 2020.

Operating profit for the year was £1,122,204 or 1.7% compared with £880,566 or 1.4% the previous year.

At the year end the company had shareholders' funds of £17,218,154 including distributable profits of £16,296,690 compared with shareholders' funds of £16,337,310 with distributable profits of £15,379,553 in the previous year.

Aquascot Limited

Strategic Report *(continued)*

Year ended 31 January 2020

Aquascot operates with a full suite of operational KPI's and monitors performance constantly with reference to both internal targets and external industry benchmarks. The relevance of individual operational KPI is reviewed regularly with focus on the key business drivers. Performance reports are tailored, and management systems are in place to ensure the best information is always available.

The directors believe the company responded positively in challenging market conditions and has made significant advancements during the year. Continuous improvement remains a key focus and driver for the business. New projects and initiatives are being enacted and further progress is expected in the year ahead.

The structure of the board evolved over the year as Niall MacDonald stepped down as Managing Director with John Housego appointed in March 2020. Simon Wrench joined the board as Finance Director in July 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's objectives are subject to a number of risks.

Operational risks centre on aspects of business continuity such as securing the supply of high-quality raw material and maintaining first class manufacturing facilities. The company also recognises the importance of maintaining and developing its employee partner base.

To mitigate against these operational risks the company operates and promotes its "hub" model, working with a number of key partners to ensure continuity of supply. To ensure manufacturing facilities are maintained to an appropriate standard, and that production volume capacity is increased in advance of projected sales volume growth, the company has a 5-year rolling CAPEX plan

The company has a regular programme of mandatory training and people development programmes in place for its employee partners.

'COVID 19' RISK

Since the 16th of March 2020, the company has been operating within parameters of the Covid 19 pandemic. The company has considered the risks presented by the pandemic, with a primary focus on employee partner safety and the ability to maintain production volumes

Production operations during the Covid 19 pandemic have been evolving on a daily basis and the Company have followed all government and industry body guidance on safe working practices. The company have introduced a number of additional hygiene procedures, social distancing measures and enabled employee partners to work from home where practical to do so. Since the 16th of March, the senior leadership team have met on a daily basis to review all government and industry body guidance to ensure that Aquascot employee partner safety and wellbeing is at the forefront of all decisions taken in relation to Covid 19.

OTHER MATTERS

In January 2020 and April 2020 Aquascot provided loans totalling £600,000 to its sister company IHCT Ltd. These loans represented the first and second instalments of an overall £900,000 loan approved by the Aquascot Board in January 2020. The third and final loan instalment is due to be paid in July 2020.

Aquascot Limited

Strategic Report *(continued)*

Year ended 31 January 2020

KEY PERFORMANCE INDICATORS

The directors have monitored the progress of the company's strategy and the individual strategic elements by reference to certain key performance indicators. Specifically, the company measures performance based on sales volume growth, gross profit % and net assets.

	2020	2019
Sales volume growth	7.1%	(2.4%)
Gross profit %	11%	10.5%
Net assets	£17,218,154	£16,337,310

This report was approved by the board of directors on 24th August 2020 and signed on behalf of the board by:



Mr S Wrench
Director

Registered office:
Pentland House
Fyrish Way
Alness
Ross-Shire
IV17 0PJ

Aquascot Limited

Directors' Report

Year ended 31 January 2020

The directors present their report and the financial statements of the company for the year ended 31 January 2020.

Principal activities

The principal activity of the company during the year was the production of food products based on fish.

Directors

The directors who served the company during the year were as follows:

Mr F Bullock	
Mr D Overton	
Mr C Douglas	
Mr N MacDonald	
Mr P Campbell	
Mr S Wrench	(Appointed 18 July 2019)
Mr G McNicol	(Resigned 31 May 2019)

Dividends

The directors do not recommend the payment of a dividend.

Future developments

The business has weathered the economic challenges faced by the industry over the last three years and is ideally positioned to manage the economic risks posed by Covid 19. The business will continue to invest in its products, employee partners, equipment, processes and infrastructure and is confident it will deliver against its own 5-year business plan.

Disclosure of information in the strategic report

A strategic report has been prepared and is included on pages 2 to 4.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Aquascot Limited

Directors' Report *(continued)*

Year ended 31 January 2020

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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 24th August 2020 and signed on behalf of the board by:



Mr S Wrench
Director

Registered office:
Pentland House
Fyrish Way
Alness
Ross-Shire
IV17 0PJ

Aquascot Limited

Independent Auditor's Report to the Members of Aquascot Limited

Year ended 31 January 2020

Opinion

We have audited the financial statements of Aquascot Limited (the 'company') for the year ended 31 January 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Emphasis of matter

Employees' Share Trust

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the accounting policies and in note 15 concerning the accounting treatment of the Employees' Share Trust. Due to the nature and size of the transactions involved in the Employees' Share Trust, we consider it necessary to specifically draw the reader's attention to this matter.

Aquascot Limited

Independent Auditor's Report to the Members of Aquascot Limited *(continued)*

Year ended 31 January 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Aquascot Limited

Independent Auditor's Report to the Members of Aquascot Limited *(continued)*

Year ended 31 January 2020

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Aquascot Limited

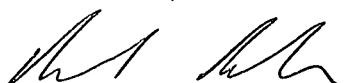
Independent Auditor's Report to the Members of Aquascot Limited *(continued)*

Year ended 31 January 2020

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Daniel Palombo MA Hons, CA (Senior Statutory Auditor)

For and on behalf of
Ritsons
Chartered Accountants & Statutory Auditors
Forbes House
36 Huntly Street
Inverness
IV3 5PR

24 August 2020

Aquascot Limited
Statement of Comprehensive Income
Year ended 31 January 2020

	Note	2020 £	2019 £
Turnover	4	65,086,047	60,992,855
Cost of sales		<u>57,902,812</u>	<u>54,613,388</u>
Gross profit		7,183,235	6,379,467
Administrative expenses		6,124,431	5,586,890
Other operating income	5	<u>63,400</u>	<u>87,989</u>
Operating profit	6	1,122,204	880,566
Other interest receivable and similar income	10	67,323	16,373
Interest payable and similar expenses	11	<u>55,999</u>	<u>53,391</u>
Profit before taxation		1,133,528	843,548
Tax on profit	12	<u>246,385</u>	<u>279,185</u>
Profit for the financial year		<u>887,143</u>	<u>564,363</u>
Revaluation of tangible assets		–	(319,761)
Tax relating to components of other comprehensive income		<u>(6,299)</u>	<u>54,337</u>
Other comprehensive income for the year		<u>(6,299)</u>	<u>(265,424)</u>
Total comprehensive income for the year		<u>880,844</u>	<u>298,939</u>

All the activities of the company are from continuing operations.

The notes on pages 15 to 29 form part of these financial statements.

Aquascot Limited
Statement of Financial Position
31 January 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	14	3,531,280	2,649,926
Investments	15	13,711,905	13,711,905
		<u>17,243,185</u>	<u>16,361,831</u>
Current assets			
Stocks	16	890,626	921,308
Debtors	17	6,336,054	5,613,810
Cash at bank and in hand		3,516,761	1,873,211
		<u>10,743,441</u>	<u>8,408,329</u>
Creditors: amounts falling due within one year	18	8,152,959	7,395,192
Net current assets		<u>2,590,482</u>	<u>1,013,137</u>
Total assets less current liabilities		<u>19,833,667</u>	<u>17,374,968</u>
Creditors: amounts falling due after more than one year	19	2,297,518	836,282
Provisions			
Taxation including deferred tax	21	317,995	201,376
Net assets		<u>17,218,154</u>	<u>16,337,310</u>
Capital and reserves			
Called up share capital	25	410,000	410,000
Revaluation reserve	26	461,464	497,757
Capital redemption reserve	26	50,000	50,000
Profit and loss account	26	16,296,690	15,379,553
Shareholders funds		<u>17,218,154</u>	<u>16,337,310</u>

These financial statements were approved by the board of directors and authorised for issue on 24th AUGUST 2020, and are signed on behalf of the board by:


Mr S Wrench
Director

Company registration number: SC262080

The notes on pages 15 to 29 form part of these financial statements.

Aquascot Limited

Statement of Changes in Equity

Year ended 31 January 2020

	Note	Called up share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 February 2018		410,000	763,181	50,000	14,815,190	16,038,371
Profit for the year					564,363	564,363
Other comprehensive income for the year:						
Revaluation of tangible assets	14	–	(319,761)	–	–	(319,761)
Tax relating to components of other comprehensive income	12	–	54,337	–	–	54,337
Total comprehensive income for the year		–	(265,424)	–	564,363	298,939
At 31 January 2019		410,000	497,757	50,000	15,379,553	16,337,310
Profit for the year					887,143	887,143
Other comprehensive income for the year:						
Transfer between reserves		–	(29,994)	–	29,994	–
Tax relating to components of other comprehensive income	12	–	(6,299)	–	–	(6,299)
Total comprehensive income for the year		–	(36,293)	–	917,137	880,844
At 31 January 2020		<u>410,000</u>	<u>461,464</u>	<u>50,000</u>	<u>16,296,690</u>	<u>17,218,154</u>

The notes on pages 15 to 29 form part of these financial statements.

Aquascot Limited

Statement of Cash Flows

Year ended 31 January 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	887,143	564,363
<i>Adjustments for:</i>		
Depreciation of tangible assets	523,513	682,188
Impairment of tangible assets	100,000	49,286
Government grant income	(35,569)	(57,169)
Other interest receivable and similar income	(67,323)	(16,373)
Interest payable and similar expenses	55,999	53,391
Tax on profit	246,385	279,185
Accrued expenses	528,771	124,212
<i>Changes in:</i>		
Stocks	30,682	(146,136)
Trade and other debtors	(122,244)	(66,189)
Trade and other creditors	189,892	140,668
Cash generated from operations	2,337,249	1,607,426
Interest paid	(55,999)	(53,391)
Interest received	67,323	16,373
Tax paid	(173,344)	(246,261)
Net cash from operating activities	<u>2,175,229</u>	<u>1,324,147</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,504,867)	(282,477)
Cash advances and loans granted	(600,000)	(300,000)
Net cash used in investing activities	<u>(2,104,867)</u>	<u>(582,477)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,201,473	(326,025)
Government grant income	35,569	57,169
Payments of finance lease liabilities	336,146	(132,634)
Net cash from/(used in) financing activities	<u>1,573,188</u>	<u>(401,490)</u>
Net increase in cash and cash equivalents	1,643,550	340,180
Cash and cash equivalents at beginning of year	1,873,211	1,533,031
Cash and cash equivalents at end of year	<u>3,516,761</u>	<u>1,873,211</u>

The notes on pages 15 to 29 form part of these financial statements.

Aquascot Limited

Notes to the Financial Statements

Year ended 31 January 2020

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Pentland House, Fyrish Way, Alness, Ross-Shire, IV17 0PJ.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Aquascot employees share trust

The Employees' Share Trust is accounted for under the extended equity method. The assets and liabilities of the trust are treated as if they were assets and liabilities of the company. Transfers of funds from the company to the trust are treated as internal to the company and consequently, are not reflected in the financial statements. Shares in the company purchased by the trust are held for the employees collectively and will not vest in individual employees. The directors consider that the shares held by the trust are not in substance the company's own shares and that, in accordance with this view, they should be recorded as investments.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Group accounts

The company holds 100% of the issued share capital of Aquascot Trustees Limited, a company registered in Scotland. Aquascot Trustees Ltd is the corporate trustee to the Aquascot Employees' Share Trust. Group accounts have not been prepared as the subsidiary is dormant and therefore not material.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Revenue recognition

The turnover shown in the profit and loss account represents invoiced sales of goods during the year, exclusive of Value Added Tax, customer claims and over-riders, less any trade discounts.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Freehold property is included in the financial statements at valuation.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	- 5% straight line
Plant and machinery	- 15% straight line
Fixtures and fittings	- 15% straight line
Equipment	- 25% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments, which include debtors, bank and cash balances and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

4. Turnover

Turnover arises from:

	2020	2019
	£	£
Sale of goods	<u>65,086,047</u>	<u>60,992,855</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	2020	2019
	£	£
Rental income	16,800	16,800
Government grant income	35,569	57,169
IHCT recharges	11,031	14,020
	<u>63,400</u>	<u>87,989</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2020	2019
	£	£
Depreciation of tangible assets	523,513	682,188
Impairment of tangible assets recognised in:		
Administrative expenses	100,000	49,287
Impairment of trade debtors	69	48
Research and development expenditure written off	<u>105,105</u>	<u>80,270</u>

7. Auditor's remuneration

	2020	2019
	£	£
Fees payable for the audit of the financial statements	<u>21,660</u>	<u>19,200</u>

Fees payable to the company's auditor and its associates for other services:

Taxation advisory services	1,500	1,450
Other non-audit services	165	350
	<u>1,665</u>	<u>1,800</u>

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020 No.	2019 No.
Production staff	132	128
Administrative staff	47	43
	<u>179</u>	<u>171</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £	2019 £
Wages and salaries	4,663,212	4,229,380
Social security costs	442,787	359,379
Other pension costs	213,829	191,171
	<u>5,319,828</u>	<u>4,779,930</u>

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020 £	2019 £
Remuneration	405,650	378,318
Company contributions to defined contribution pension plans	16,365	15,924
	<u>422,015</u>	<u>394,242</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2020 No.	2019 No.
Defined contribution plans	<u>5</u>	<u>4</u>

Remuneration of the highest paid director in respect of qualifying services:

	2020 £	2019 £
Aggregate remuneration	154,030	128,719
Company contributions to defined contribution pension plans	6,335	6,165
	<u>160,365</u>	<u>134,884</u>

10. Other interest receivable and similar income

	2020 £	2019 £
Interest on cash and cash equivalents	<u>67,323</u>	<u>16,373</u>

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

11. Interest payable and similar expenses

	2020	2019
	£	£
Interest on banks loans and overdrafts	54,273	48,727
Interest on obligations under finance leases and hire purchase contracts	1,726	4,664
	<u>55,999</u>	<u>53,391</u>

12. Tax on profit

Major components of tax expense

	2020	2019
	£	£
Current tax:		
UK current tax expense	136,065	224,268
Deferred tax:		
Origination and reversal of timing differences	88,244	54,917
Impact of change in tax rate	22,076	–
Total deferred tax	<u>110,320</u>	<u>54,917</u>
Tax on profit	<u>246,385</u>	<u>279,185</u>

The rate at which deferred tax has been calculated is 19% (2019 – 17%) to reflect the known future tax rate

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £6,299 (2019: £(54,337)).

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019
	£	£
Profit on ordinary activities before taxation	1,133,528	843,548
Profit on ordinary activities by rate of tax	215,371	160,274
Effect of expenses not deductible for tax purposes	21,631	16,256
Effect of capital allowances and depreciation	(100,937)	47,738
Origination and reversal of timing differences	110,320	54,917
Tax on profit	<u>246,385</u>	<u>279,185</u>

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

13. Intangible assets

	Goodwill £
Cost	
At 1 February 2019 and 31 January 2020	<u>355,297</u>
Amortisation	
At 1 February 2019 and 31 January 2020	<u>355,297</u>
Carrying amount	
At 31 January 2020	<u>–</u>
At 31 January 2019	<u>–</u>

14. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
Cost					
At 1 February 2019	1,515,000	4,814,996	36,628	1,022,680	7,389,304
Additions	667,483	688,924	79,295	69,165	1,504,867
At 31 January 2020	<u>2,182,483</u>	<u>5,503,920</u>	<u>115,923</u>	<u>1,091,845</u>	<u>8,894,171</u>
Depreciation					
At 1 February 2019	–	3,801,587	18,104	919,687	4,739,378
Charge for the year	87,839	375,612	6,239	53,823	523,513
Impairment losses	–	100,000	–	–	100,000
At 31 January 2020	<u>87,839</u>	<u>4,277,199</u>	<u>24,343</u>	<u>973,510</u>	<u>5,362,891</u>
Carrying amount					
At 31 January 2020	<u>2,094,644</u>	<u>1,226,721</u>	<u>91,580</u>	<u>118,335</u>	<u>3,531,280</u>
At 31 January 2019	<u>1,515,000</u>	<u>1,013,409</u>	<u>18,524</u>	<u>102,993</u>	<u>2,649,926</u>

Tangible assets held at valuation

On 11 February 2019 the freehold property owned by the company was revalued by J & E Shepherd, Chartered Surveyors. The properties were valued separately and the total valuation amounted to £1,515,000. The valuation was based on market value assuming vacant possession and was carried out in accordance with the Practice Statements and Guidance Notes set out in RICS Valuation Standards.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

14. Tangible assets *(continued)*

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
At 31 January 2020	
Aggregate cost	3,189,742
Aggregate depreciation	(2,641,578)
Carrying value	<u>548,164</u>
At 31 January 2019	
Aggregate cost	3,189,742
Aggregate depreciation	(2,415,695)
Carrying value	<u>774,047</u>

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 31 January 2020	<u>547,859</u>
At 31 January 2019	<u>210,114</u>

15. Investments

	Other investments other than loans £
Cost	
At 1 February 2019 and 31 January 2020	<u>13,711,905</u>
Impairment	
At 1 February 2019 and 31 January 2020	<u>—</u>
Carrying amount	
At 31 January 2020	<u>13,711,905</u>
At 31 January 2019	<u>13,711,905</u>

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

15. Investments *(continued)*

Aquascot Employees' Share Trust

As highlighted in the Directors' report, the company has established an employee benefit trust known as the Aquascot Employees' Share Trust. The company has appointed a wholly owned subsidiary, Aquascot Trustees Limited as the trustee company. As at 31 January 2019 and 31 January 2020 the company had contributed £13,711,904 to the Trust which the trustee company had used to buy 410,000 shares in the company from six of the original shareholders in accordance with the terms of the Agreement. The trust now owns 100% of the company's issued shares.

The trust is under the defacto control of the Company and the Trust is accounted for under the extended equity method. The assets and liabilities of the Trust are treated as if they were assets and liabilities of the Company and the transfer of funds from the Company to the Trust is not recognised in the financial statements of the Company as it is treated as an internal transfer of cash within the Company.

Normally the acquisition of shares is treated as a deduction of own shares from shareholder funds. This treatment is intended to mirror the accounting treatment of Treasury shares because the Trust is considered to act as a warehouse for the shares before they are allocated to individuals through an employee share scheme or bought back by the Company and cancelled.

However, the Company has an unusual ownership structure. Aquascot shares held in the Aquascot Employee's Share Trust are instead being held permanently by the Trust for the benefit of employees.

Where "all of its shares are held in a trust for the benefit of the employees collectively and the trust receives dividends from the Company which are distributed to employees in accordance with the provisions of the trust deed, the shares are not vested in individual employees. The Company does not have defacto control of the trust shares. The shares held by the trust are not in substance the Company's own shares and are not accounted for as such."

As this description of arrangements closely represents the intended ownership structure of the Company with the shares being held permanently by the Trust for the benefit of employees, the fairest and most appropriate accounting, applying the principles in this guidance, is to recognise the shares in the Trust as assets of the Company in the same way as other assets would be under the extended equity method of accounting. It also distinguishes them from own shares held in a temporary capacity by a trust which would be deducted from shareholder funds.

16. Stocks

	2020	2019
	£	£
Raw materials and consumables	525,688	505,941
Finished goods and goods for resale	364,938	415,367
	<u>890,626</u>	<u>921,308</u>

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

17. Debtors

	2020	2019
	£	£
Trade debtors	4,280,774	4,320,455
Prepayments and accrued income	300,372	124,435
Other debtors	1,754,908	1,168,920
	<u>6,336,054</u>	<u>5,613,810</u>

The debtors above include the following amounts falling due after more than one year:

	2020	2019
	£	£
Other debtors	<u>1,612,698</u>	<u>1,003,814</u>

18. Creditors: amounts falling due within one year

	2020	2019
	£	£
Bank loans and overdrafts	305,318	222,164
Trade creditors	6,167,103	5,899,580
Accruals and deferred income	948,614	419,843
Corporation tax	69,746	107,025
Social security and other taxes	91,067	91,567
Obligations under finance leases and hire purchase contracts	90,450	97,221
Other creditors	480,661	557,792
	<u>8,152,959</u>	<u>7,395,192</u>

Bank loans secured amount to £305,318 (2019 - £222,164).

The bank holds the following security over loans made to the company:

- Bond and floating charge over the whole assets of the company
- Standard security over the premises at 3 Averon Way, Alness
- Standard security over the factory, offices and land at Fyrish Way, Alness
- Standard security over land at 1 Averon Way, Alness
- Standard security over Units 8,9,10 & 11, Fyrish Way, Alness

19. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Bank loans and overdrafts	1,946,375	828,056
Obligations under finance leases and hire purchase contracts	351,143	8,226
	<u>2,297,518</u>	<u>836,282</u>

Included within creditors: amounts falling due after more than one year is an amount of £714,878 (2019: £158,647) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The bank loans falling due after more than five years are repayable by instalments at a fixed rate of interest.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

19. Creditors: amounts falling due after more than one year *(continued)*

Bank loans secured amount to £1,946,375 (2019 - £828,056).

The bank holds the following security over loans made to the company:

- Bond and floating charge over the whole assets of the company
- Standard security over the premises at 3 Averon Way, Alness
- Standard security over the factory, offices and land at Fyrish Way, Alness
- Standard security over land at 1 Averon Way, Alness
- Standard security over Units 8,9,10 & 11, Fyrish Way, Alness

20. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2020	2019
	£	£
Not later than 1 year	100,794	98,947
Later than 1 year and not later than 5 years	369,633	8,246
	<u>470,427</u>	<u>107,193</u>
Less: future finance charges	(28,834)	(1,746)
Present value of minimum lease payments	<u>441,593</u>	<u>105,447</u>

21. Provisions

	Deferred tax (note 22) £
At 1 February 2019	201,376
Additions	110,320
Other movements	6,299
At 31 January 2020	<u>317,995</u>

22. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020	2019
	£	£
Included in provisions (note 21)	<u>317,995</u>	<u>201,376</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020	2019
	£	£
Accelerated capital allowances	209,716	99,395
Revaluation of tangible assets	108,279	101,981
	<u>317,995</u>	<u>201,376</u>

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £213,829 (2019: £191,171).

At 31 January 2020 there were outstanding pensions contributions amounting to £nil (2019 - £24,897).

24. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2020 £	2019 £
Recognised in other operating income:		
Government grants recognised directly in income	<u>35,569</u>	<u>57,169</u>

25. Called up share capital

Authorised share capital

	2020		2019	
	No.	£	No.	£
Ordinary Class A shares of £1 each	300,000	300,000	300,000	300,000
Ordinary Class B shares of £1 each	110,000	110,000	110,000	110,000
Ordinary Preferred shares of £1 each	50,000	50,000	50,000	50,000
Preference shares of £1 each	200,000	200,000	200,000	200,000
	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary Class A shares of £1 each	300,000	300,000	300,000	300,000
Ordinary Class B shares of £1 each	110,000	110,000	110,000	110,000
	<u>410,000</u>	<u>410,000</u>	<u>410,000</u>	<u>410,000</u>

26. Reserves

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Aquascot Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2020

27. Analysis of changes in net debt

	At 1 Feb 2019 £	Cash flows £	At 31 Jan 2020 £
Cash at bank and in hand	1,873,211	1,643,550	3,516,761
Debt due within one year	(319,385)	(76,383)	(395,768)
Debt due after one year	(836,282)	(1,461,236)	(2,297,518)
	<u>717,544</u>	<u>105,931</u>	<u>823,475</u>

28. Related party transactions

During the year the company paid total remuneration of £470,271 (2019 - £394,242) to five (2019 - four) key management personnel.

During the year the company invoiced a company owned by the Aquascot Employee Share Trust, £nil (2019 - £179,226) for fish and fish by-products. During the year this company invoiced Aquascot Ltd £nil (2019 - £24,264) for shipping costs and rejected orders.

On 1 February 2012 the company leased a building and land to a company owned by the Aquascot Employee Share Trust, on a 99 year lease. The annual rent is £16,800 (2019 - £16,800). On 1 February 2012 the company owned by the Aquascot Employee Share Trust sub-leased a building to the company on a 30 year lease. The annual rent is £60,000 (2019 - £60,000). Aquascot Ltd also pays annual rent of £4,800 for a car park lease from this company.

During the year a company owned by the Aquascot Employee Share Trust, invoiced the company £718,796 (2019 - £701,667) for strategy, diversification and investment services and for consultancy services. Included in trade creditors at the year end is £212,639 (2019 - £nil). During the year the company invoiced this company owned by the Aquascot Employee Share Trust £11,031 (2019 - £15,684) for recharges. Included in trade debtors at the year end is £886 (2019 - £2,982) due from this company.

During the year the company provided a loan to a company owned by the Aquascot Employees Share Trust totalling £600,000 (2019 - £300,000). Included in other debtors at the year end are loans totalling £1,570,000. The terms of the loans are seven years with repayments at the end of years five, six and seven. There is an initial 24 month interest holiday and thereafter interest is charged at 4% plus 3 month LIBOR rate.

During the year Aquascot Ltd was invoiced £90,288 (2019 - £57,000) from a company which has a common director. Included in trade creditors at the year end is £nil (2019 - £2,158) due to this company.

29. Subsidiary company

The company owns one share in Aquascot Trustees Ltd, a company registered in Scotland with the registered office Pentland House, Fyrish Way, Alness, IV17 0PJ. The shareholding equates to 100% of the shares in the company. As noted in Accounting Policies, the subsidiary company is dormant.