Company Registration No. SC159110 (Scotland)

# SSF HJALTLAND UK LIMITED

## (FORMERLY GRIEG SEAFOOD HJALTLAND UK LIMITED)

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

# SSF HJALTLAND UK LIMITED
# (FORMERLY GRIEG SEAFOOD HJALTLAND UK LIMITED)
## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | G Cumming<br>J F Gallagher |
| **Company number** | SC159110 |
| **Registered office** | Laurel House<br>Laurelhill Business Park<br>Stirling<br>Scotland<br>FK7 9JQ |
| **Auditor** | RSM UK Audit LLP<br>Chartered Accountants<br>Third Floor<br>Centenary House<br>69 Wellington Street<br>Glasgow<br>G2 6HG |
| **Bankers** | Nordea Bank Abp<br>London Branch<br>6th Floor<br>5 Aldermanbury Square<br>London<br>EC2V 7AZ |
| **Solicitors** | Dentons<br>The Capitol<br>431 Union Street<br>Aberdeen<br>AB11 6DA<br>Scotland |

# SSF HJALTLAND UK LIMITED
# (FORMERLY GRIEG SEAFOOD HJALTLAND UK LIMITED)
## STRATEGIC REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the Strategic Report for the year ended 31 December 2021.

**Strategy and objectives**
SSF Hjaltland UK Limited has its business in Shetland and Skye, with activities on over 17 sites. SSF Hjaltland UK Limited group is one of the largest salmon producers in Shetland, employing over 200 people.

The prime objective across the group is to produce high quality salmon. The group will also continue to focus on the following key objectives:

- Sustainable farming of high quality salmon
- Improve biological performance; focus on all aspects of good animal husbandry
- Being production and processing cost competitive
- Maintain professional and competent management and effective organisational structure
- Profitable growth and having a competitive return on capital employed
- Enhance investor and society awareness

**Review of the business**
SSF Hjaltland UK Limited is the holding company for the SSF Shetland group and it is the immediate parent to SSF Shetland Limited. Therefore this review of the business section covers the results of SSF Shetland Limited. The operating profit was £4.2m; this corresponds to £0.30/kg. The equivalent for 2020 was an operating loss of £25.7m (£1.63/kg). Total harvested volume in 2021 was 14,165 tonnes, 1,540 tonnes below 2020.

The year was characterised by the continuing Covid-19 pandemic. Lockdowns in Europe, shifting demand from hotels and restaurants to retail, impacted salmon prices significantly in the first half of the year. Markets recovered in the 3rd and 4th quarters with prices returning to pre-pandemic levels late in the year. The results for the year have also been impacted by high cost at the Skye farms which were affected by severe biological challenges in Q3 2020. High production costs affected profit levels in Q1 when the surviving Skye salmon were harvested. The sites in Skye have now been fallowed and there are no plans in the short-term to restock these sites. Biological performance in 2021 was greatly improved on the previous year. Improved survival rates to harvest have reduced production cost.

SSF Shetland Limited has taken several measures in recent years to ensure strong biosecurity and improved fish health and welfare, such as extended fallowing areas coordinated with neighbouring farmers, and control of the sea lice situation by the use of aeration systems, sea lice skirts and freshwater treatment. Also as a result of targeted measures, including a new vaccination strategy, smolt health, quality and survival rates have improved significantly in Shetland. Good production was achieved indicating lower cost long term.

In Q4 the parent company Grieg Seafood ASA sold the Shetland operations to Scottish Sea Farms Limited, who already have a significant salmon farming operating in Shetland. The sale will bring efficiencies of scale to SSF Shetland Limited and will allow Scottish Sea Farms Limited to have better biological control, as operating areas which were previously shared between the two companies, come under their control.

The UK left the European Union (Brexit) at year end 2020. The outcome of Brexit still represents an uncertainty for the Scottish salmon farming industry due to logistical problems of getting fresh salmon from UK to the rest of Europe.

During the year the company invested £2.3m in property, plant and equipment and at the year-end held tangible fixed assets with a net book value of £36.8m. The company also held intangible fixed assets of £5.3m representing the net book value of site licences. The book value of stock includes £40.8m of biological assets being smolt and fish at sea carried at cost. At the year-end total assets amounted to £103.0m.

The company had net current liabilities of £73.4m and total net liabilities of £32.7m which reflects amounts due to SSF Hjaltland UK Limited and subsequently Scottish Sea Farms Limited of £125.5m, all of which is included in current liabilities. The company continues to retain the support of its parent company Scottish Sea Farms Limited to provide funding to meet its liabilities as they fall due.

**Section 172**
The directors have had regard to the matters set out in section 172 (1) (a) to (f) when performing their duty to promote the success of the company.

Salmon farming is an industry where sustainability is key and the likely consequences of any decision in the long term have to be considered. SSF Shetland Limited aims to be open and honest with local communities about our production methods, our successes and our remaining challenges. We view it as our responsibility to engage in constructive dialogue with all stakeholders and groups that are impacted by our activities.

A sustainable food chain is important both to ensure our license to operate, and to become a preferred partner among customers. The general focus areas to make the value chain more sustainable includes ensuring safe and healthy food, quality control, traceability, sustainable feed, cutting carbon emissions and waste management. By focusing on reducing our environmental impact and improving fish welfare, we aim to increase harvest rates and reduce production cost.

The directors have due regard to the interests of the company's employees and the need to foster the company's business relationships with suppliers, customers and others as discussed further in the directors report. The directors are committed to act fairly between members of the company.

The company works to maintain a reputation for high standards of business conduct. Strong business integrity and ethical conduct is essential in becoming a world leader and preferred provider of sustainably produced salmon. Our farmed salmon has no traces of illegal drugs and no organic pollutants or heavy metals above the allowed threshold. We have full traceability and strict quality control at every stage of production. Our certifications GLOBALG.A.P. (Global Agriculture Practices) cover the entire supply chain.

**Future developments**
SSF Shetland Limited is now owned by Scottish Sea Farms Limited and over the coming year, SSF Shetland Limited will work closely with its parent company to realise the economies of scale and synergies which will help to drive down production costs and improve profit margins.

**Key Performance Indicators (SSF Shetland Limited)**

| | 2021 | 2020 |
|---|---|---|
| Turnover £000 | 81,649 | 73,021 |
| EBIT £000 | 4,230 | (25,661) |
| EBITDA £000 | 9,820 | (20,330) |
| EBITDA % | 12.0 | (27.8) |
| Capital Expenditure £000 | 2,333 | 7,405 |
| No. of Employees | 201 | 213 |
| Harvest (gutted tonnage) | 14,165 | 15,705 |
| EBIT/kg £ | 0.30 | (1.63) |

**Principal risks and uncertainties**

The group is exposed to risks in a number of areas, such as biological production, changes in salmon prices, the risk of political trade barriers, as well as financial risks such as changes in interest and exchange rates and liquidity.

The group's internal control and risk exposure are subject to continuous observation and improvement, and the work of reducing risk in different areas has a high priority.

The management has set parameters for managing and eliminating most of the risks that could prevent the group from achieving its goals. The company carries out risk assessment on all areas of the business then mitigates risk through internal procedures or insures against risk.

The outbreak of the Covid-19 may reduce demand for salmon and disrupt global supply chains. After the outbreak of the Covid-19 pandemic, authorities worldwide have implemented strict measures to reduce and slow its spread. These measures are likely to impact global economic activity, which might also affect global demand for salmon. Furthermore, SSF Shetland Limited might experience disruptions to its supply chain upstream or downstream. Air traffic restrictions with respect to jurisdictions heavily hit by the Covid-19 outbreak may impact the aquaculture industry's capacity to transport products to end-markets globally, which may have different impacts on salmon prices in different markets, and on operations, e.g. by causing a reduction in the price and/or volume of salmon export due to e.g. severe delays on border areas because of passport and custom checks. There are great uncertainties regarding the consequences of the Covid-19 outbreak, and should the global demand for salmon and/or the Group's supply chain experience disruptions, it may adversely affect the revenue, operations, financial condition and business.

*Brexit*

The UK left the European Union (Brexit) at year end 2020. The outcome of Brexit still represents an uncertainty for the Scottish salmon farming industry due to logistical problems of getting fresh salmon from UK to the rest of Europe.

The company has been working in close collaboration with authorities, industry organisations, customers and suppliers in Norway and the UK to ensure a smooth transition. Regarding our export of salmon from Scotland to the EU, we are in continuous dialog with our transport agents.

Approximately 20% of our employees in Scotland are EU citizens. We have assisted them and their families to apply for Settled Status, which gives them permission to continue to live and work in the UK. We follow the situation closely and will do our part to contribute to strong relationships between Norway, the UK and the EU in the future.

*Financial risk management objectives and policies*

The Group operates within an industry characterised by great volatility which entails greater financial risk. Financial and contractual hedging is a matter of constant consideration, in combination with operational measures. The company draws up rolling liquidity forecasts extending over three years. These forecasts incorporate conservative estimates of salmon prices, and this is used as a basis when calculating the liquidity requirement. It is this forecast that forms the basis of the increased financial parameters mentioned above. This gives a good indication of the company's liquidity risk.

*Price risk*

The Group is exposed to fluctuations in the spot prices for salmon, which is mainly determined by the global supply of salmon. The effect of price changes is reduced by geographical diversification, but due to the long production cycle it can be difficult to respond rapidly to global trends in market prices. Salmon is mainly traded at spot prices, and an increase in the global supply of salmon can result in a decline in spot prices. When entering into a financial price contract, the buyer and the seller agree on a price and a fixed volume for future delivery.

**Principal risks and uncertainties (continued)**

*Credit risk*

Credit risk is managed at Group level. Credit risk arises from transactions and deposits in banks and financial institutions as well as from transactions with customers, including accounts receivable and fixed contracts. The Group has procedures to ensure that products are only sold to customers with satisfactory creditworthiness. The company normally sells to new customers only on presentation of a letter of credit or upon advance payment. Credit insurance is used when deemed appropriate. For customers who have a reliable track record with the Group, sales up to a certain level agreed in advance are permitted without any security.

*Liquidity and cash flow risk*

The management monitors the Group's liquidity reserve which comprises a loan facility and bank deposits, as well as cash equivalents based on expected cash flows. This is carried out at Group level in collaboration with the operating companies. The management and Board seek to maintain a high equity ratio in order to be well equipped to meet financial and operational challenges. Considering the dynamic nature of the industry, the Group aims to maintain flexibility of funding.

Current and non-current liabilities are met with available liquidity, available drawdown on short-term credit facility, as well as positive cash flows from operations.

On behalf of the board

Grant Cumming
..............................
G Cumming
**Director**

Date: 22/08/2022

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

### Principal activities
The company is an investment holding company. The principal activities of the subsidiary undertakings are salmon farming.

### Results and dividends
The results for the year are set out on page 11. The company has not traded during the year.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2020: £Nil).

### Employee engagement
The directors have engaged with employees of SSF Shetland Limited in the year and had regard to their interests, including in relation to the principal decisions taken by the company during the financial year. The passion and dedication of our people drives SSF Shetland Limited forward. Engaged employees are key to achieve our targets. General focus areas are health and safety, creating attractive jobs, employee development, ethics, integrity and anti-corruption. Accidents can be prevented by working on procedures and culture, or by improving equipment quality. SSF Shetland Limited does not compromise on health and safety and has a zero-tolerance philosophy for accidents. SSF Shetland Limited has zero tolerance for bullying, unwanted sexual attention and harassment.

### Business relationships
The directors have had regard to the need to foster the company's business relationships with suppliers, customers and other stakeholders including in relation to the principal decisions taken by the company during the financial year. The company use local suppliers of goods and services as often as possible and adhere to good payment practices. For our customers there is full traceability and strict quality control at every stage of production.

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

| | |
|---|---|
| G Cumming | |
| A Kvame | (Resigned 15 December 2021) |
| A H Sandtorv | (Resigned 15 December 2021) |
| K Utheim | (Resigned 15 December 2021) |
| J F Gallagher | (Appointed 15 December 2021) |

### Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

### Auditor
RSM UK Audit LLP has indicated its willingness to continue in office.

### Energy and carbon reporting
As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

**Statement of disclosure to auditor**

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

**Going concern**

SSF Hjaltland UK Limited is the holding company for the SSF Shetland group and it is the immediate parent to SSF Shetland Limited. SSF Shetland Limited has made a small profit for the year. Going forward SSF Shetland Limited forecast improved production, and gradual cost improvements driven by the synergies of the acquisition by Scottish Sea Farms Limited as well as further operational improvements, driving down the cost per kg. The company has net current liabilities and total net liabilities which primarily reflects amounts due to the parent company which are included in current liabilities. The going concern basis is therefore reliant on the ultimate parent company, Scottish Sea Farms Limited, to provide funding to support its finance requirements. Scottish Sea Farms Limited have confirmed that they will support the company for at least the next 12 months and therefore the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

**Information presented in the Strategic Report**

The company has chosen, in accordance with s414C(11) of the Companies Act, to set out in the company's Strategic Report the following information which would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the Directors' Report:

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

On behalf of the board

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G Cumming
**Director**

Date: 22/08/2022

## DIRECTORS' RESPONSIBILITIES STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSF HJALTLAND UK LIMITED

**Opinion**

We have audited the financial statements of SSF Hjaltland UK Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of income and retained earnings, the statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its result 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

**Other information**

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SSF HJALTLAND UK LIMITED (CONTINUED)

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

The company is a non-trading holding company and therefore there are no laws and regulations that have an indirect impact on the financial statements.

The audit engagement team identified the risk of management override of controls as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and assessing whether judgments and estimates applied are indicative of potential bias.

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.

**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.

*K Morrison*

Katie Morrison BAcc CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

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22/06/22

# SSF HJALTLAND UK LIMITED
# (FORMERLY GRIEG SEAFOOD HJALTLAND UK LIMITED)
## STATEMENT OF INCOME AND RETAINED EARNINGS
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | | 2021 | 2020 |
|---|---|---|---|
| | | £ | £ |
| Other interest receivable and similar income | 6 | 1,435,376 | 831,990 |
| Interest payable and similar charges | 7 | (1,435,376) | (831,990) |
| **Profit before taxation** | | - | - |
| Tax on profit | | - | - |
| **Profit after taxation and profit for the financial year** | | - | - |
| Retained earnings at 1 January 2021 | | 5,415,244 | 5,415,244 |
| Retained earnings at 31 December 2021 | | 5,415,244 | 5,415,244 |

Company Registration No. SC159110

# SSF HJALTLAND UK LIMITED
# (FORMERLY GRIEG SEAFOOD HJALTLAND UK LIMITED)
## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2021

| | Notes | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 8 | | - | | 55,780 |
| Investments | 9 | | 10,499,466 | | 10,499,466 |
| | | | 10,499,466 | | 10,555,246 |
| **Current assets** | | | | | |
| Debtors | 11 | 55,780 | | 37,500,000 | |
| Cash at bank and in hand | | 79 | | 523 | |
| | | 55,859 | | 37,500,523 | |
| **Creditors: amounts falling due within one year** | 12 | (81) | | (37,500,525) | |
| **Net current assets/(liabilities)** | | | 55,778 | | (2) |
| **Total assets less current liabilities** | | | 10,555,244 | | 10,555,244 |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | 5,140,000 | | 5,140,000 |
| Profit and loss reserves | 15 | | 5,415,244 | | 5,415,244 |
| **Total equity** | | | 10,555,244 | | 10,555,244 |

The financial statements were approved by the board of directors and authorised for issue on **22June2022**. and are signed on its behalf by:

G Cumming
**Director**

## 1 Accounting policies

### Company information

SSF Hjaltland UK Limited is a private company limited by shares and is registered, domiciled and incorporated in Scotland. The registered office is Laurel House, Laurelhill Business Park, Stirling, Scotland, FK7 9JQ.

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

### Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

### Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

The parent company of SSF Hjaltland UK Limited is Scottish Sea Farms Limited, incorporated in England, who's immediate parent undertaking is Norskott Havbruk AS, incorporated in Norway. The consolidated accounts (the smallest group for which consolidated financial statements are drawn up) of this company are available to the public and may be obtained from Bontelabo 2, 5020 Bergen, Norway.

They are also appended to the SSF Hjaltland UK Limited financial statements filed with Companies House.

The Company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity.

**1 Accounting policies (Continued)**

**Going concern**

SSF Hjaltland UK Limited is the holding company for the SSF Shetland group and it is the immediate parent to SSF Shetland Limited. SSF Shetland Limited has made a small profit for the year. Going forward SSF Shetland Limited forecast improved production, and gradual cost improvements driven by the synergies of the acquisition by Scottish Sea Farms Limited as well as further operational improvements, driving down the cost per kg. The company has net current liabilities and total net liabilities which primarily reflects amounts due to the parent company which are included in current liabilities. The going concern basis is therefore reliant on the ultimate parent company, Scottish Sea Farms Limited, to provide funding to support its finance requirements. Scottish Sea Farms Limited have confirmed that they will support the company for at least the next 12 months and therefore the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

**Turnover**

The company is a non-trading holding company therefore there is no turnover this year or last year.

**Other income**

*Interest income*

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

**Intangible fixed assets other than goodwill**

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

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

| | |
|---|---|
| Licences | 50 years |

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

**Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

**Borrowing costs**

All borrowing costs are expensed as incurred.

**1 Accounting policies (Continued)**

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

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

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

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

***Basic financial assets***
Basic financial assets, which include loans to fellow group companies and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

***Other financial assets***
Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. There were no impairments in the year.

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

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

***Basic financial liabilities***
Basic financial liabilities, including loans from fellow group companies are initially recognised at transaction price.

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

**1 Accounting policies (Continued)**

***Other financial liabilities***

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

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

***Derecognition of financial liabilities***

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**Equity instruments**

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

**Taxation**

The company is a non-trading holding company and there are no timing differences therefore there are no current or deferred tax liabilities.

**Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

### 2 Judgements and key sources of estimation uncertainty

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

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

Investments in subsidiaries are held at cost less impairment. The directors have carried out an impairment review and concluded that no impairment is required.

### 3 Employees

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

| | 2021<br>Number | 2020<br>Number |
|---|---|---|
| Total | - | - |

### 4 Directors' remuneration

Directors remuneration is paid by SSF Shetland Limited and disclosed in their financial statements.

The directors provided no material qualifying services to the company during the current or prior year.

### 5 Auditor's remuneration

| Fees payable to the company's auditor and its associates: | 2021<br>£ | 2020<br>£ |
|---|---|---|
| **For audit services** | | |
| Audit of the financial statements of the company | 43,700 | 42,015 |
| **For other services** | | |
| Taxation compliance services | 14,085 | 13,160 |
| All other non-audit services | 11,575 | 11,130 |
| | 25,660 | 24,290 |

Fees for audit and other services are paid by SSF Shetland Limited. The amounts disclosed here are for both SSF Hjaltland UK Limited and SSF Shetland Limited.

## 6 Interest receivable and similar income

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| **Interest income** | | |
| Interest receivable from group companies | 1,435,376 | 831,990 |

## 7 Interest payable and similar expenses

| | 2021 | 2020 |
|---|---|---|
| | £ | £ |
| Interest payable to group undertakings | 1,435,376 | 831,990 |

Further details of interest payable is given at note 13.

## 8 Intangible fixed assets

| | Licences |
|---|---|
| | £ |
| **Cost** | |
| At 1 January 2021 | 63,387 |
| Disposals | (63,387) |
| At 31 December 2021 | - |
| **Amortisation and impairment** | |
| At 1 January 2021 | 7,607 |
| Disposals | (7,607) |
| At 31 December 2021 | - |
| **Carrying amount** | |
| At 31 December 2021 | - |
| At 31 December 2020 | 55,780 |

## 9 Fixed asset investments

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | £ | £ |
| Investments in subsidiaries | 10 | 10,499,466 | 10,499,466 |

## 9 Fixed asset investments (Continued)

### Movements in fixed asset investments

| | Shares in group undertakings £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2021 & 31 December 2021 | 10,499,466 |
| **Carrying amount** | |
| At 31 December 2021 | 10,499,466 |
| At 31 December 2020 | 10,499,466 |

## 10 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct | % Held Indirect |
|---|---|---|---|---|---|
| Isle of Skye Salmon Limited | Scotland | Dormant | Ordinary | - | 100.00 |
| SSF Shetland Limited | Scotland | Salmon farming, processing and hatchery | Ordinary | 100.00 | - |

The registered office of all the subsidiaries is Laurel House, Laurelhill Business Park, Stirling, Scotland, FK7 9JQ.

## 11 Debtors

| **Amounts falling due within one year:** | 2021 £ | 2020 £ |
|---|---|---|
| Amounts owed by group undertakings | 55,780 | - |

| **Amounts falling due after more than one year:** | 2021 £ | 2020 £ |
|---|---|---|
| Amounts owed by group undertakings | - | 37,500,000 |
| **Total debtors** | 55,780 | 37,500,000 |

In line with the requirements of FRS 102 the amounts due from group that are not expected to be realised within 12 months after the reporting period are presented as due after more than one year. All amounts are repayable on demand. Interest rates were 1.82% - 3.9% in the year.

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

| | Notes | 2021 £ | 2020 £ |
|---|---|---|---|
| Other borrowings | 13 | - | 37,500,000 |
| Amounts owed to group undertakings | | 81 | 525 |
| | | 81 | 37,500,525 |

### 13 Borrowings

| | 2021 £ | 2020 £ |
|---|---|---|
| Loans from group undertakings | - | 37,500,000 |
| Payable within one year | - | 37,500,000 |

The loan of £Nil (2020 - £37,500,000) was due to Grieg Seafood ASA, the prior parent of SSF Hjaltland UK Limited. Interest was being charged at 1.82 - 3.9% and was paid by SSF Shetland Limited, a wholly owned subsidiary of SSF Hjaltland UK Limited.

### 14 Share capital

| Ordinary share capital | 2021 Number | 2020 Number | 2021 £ | 2020 £ |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| Ordinary of £1 each | 5,140,000 | 5,140,000 | 5,140,000 | 5,140,000 |

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

### 15 Reserves

**Profit and loss reserves**
Cumulative profit and loss net of distributions to owners.

## 16 Financial commitments, guarantees and contingent liabilities

The company has guaranteed the borrowings of other group members which at 31 December 2021 amounted to £162,497,042 (2020 - £359,059,787). DNB Bank ASA has a legal charge containing a negative pledge and floating charge over all the property or undertaking of the company.

In February 2019 The European Commission DG (Director General) Competition performed an inspection at SSF Shetland Limited to explore potential anti-competitive behaviour in the salmon industry. Unannounced inspections are a preliminary investigatory step into suspected anti-competitive practices. The fact that the Commission carries out such inspections does not mean that the companies are guilty of anti-competitive behaviour nor does it prejudge the outcome of the investigation itself.

There is no legal deadline to complete inquiries into anti-competitive conduct. Their duration depends on a number of factors, including the complexity of each case, the extent to which the companies concerned co-operate with the Commission and the exercise of the rights of defence. SSF Shetland Limited aims to be open, transparent and forthcoming and will provide all necessary information requested by the European Commission DG Competition in its investigation.

## 17 Ultimate controlling party

The company is a subsidiary undertaking of Scottish Sea Farms Limited, a company incorporated in England, who's immediate parent undertaking is Norskott Havbruk AS, incorporated in Norway. The consolidated accounts (the smallest group for which consolidated financial statements are drawn up) of this company are available to the public and may be obtained from Bontelabo 2, 5020 Bergen, Norway.

The ultimate parent undertaking and controlling parties of the largest group for which consolidated financial statements are drawn up are Leroy Seafood Group ASA and Salmar ASA, companies incorporated and registered in Norway. Copies of the consolidated financial statements are available from PO Box 7600, N-5020 Bergen, Norway and N-216 Kverva, Norway respectively.

## 18 Related party transactions

All of the subsidiary undertakings listed in note 8 are related parties. The parent company as listed in the controlling party note is also a related party.

Under FRS 102 SSF Hjaltland UK Limited is exempt from disclosing transactions with its wholly owned subsidiaries.

The outstanding balances due to and from other group companies are shown in the debtors and creditors notes.

# Scottish Sea Farms Limited

**Report and Financial Statements**

2 January 2022

[redacted]

**Directors**
Leif-Inge Nordhammer
Gustave Witzoe
Jim F Gallagher
Helge Singlestad
Henning Beltestad

**Secretary**
D Anderson

**Auditor**
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G2 1RW

**Registered Office**
c/o Shepherd and Wedderburn
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London
EC2V 6AA

# Strategic report

The directors present their strategic report for the period to 2 January 2022.

## Review of the business

The principal activity of the group continued to be the farming and processing of Scottish Atlantic salmon.

The group has achieved a satisfactory result for the period to 2 January 2022.

Group turnover was £198,923,000, an increase of £60,008,000 on financial year 2020.

Group operating profit was £20,559,000, a decrease of £3,955,000 on financial year 2020.

The company recovered well from the effects of Covid that did continue into 2021. The export markets opened back to near normal levels and demand for salmon globally stayed strong. As our results show we continued to trade successfully, however, there was higher than normal biological issues that affected our cost base and margins. This was, unusually, in all our farming regions, however, due to the continued hard work, diligence and focus of our staff we were able to return an acceptable operating result.

Our smolt input was a record year in terms of numbers to marine sites, a total of 11.1m were put to sea with our investment in the Barcaldine RAS facility now reaping benefits with strong, healthy fish being transferred to our sites at a good cost base.

In December 2021 Scottish Sea Farms Limited made the biggest investment in its history by purchasing 100% of the share capital in Grieg Seafood Hjatland UK Limited from Grieg Seafood ASA, Greig Seafood Hjatland Limited owns 100% of the share capital of Grieg Seafood Shetland Limited and Isle of Skye Salmon Limited (dormant). This brings increased marine capacity, further processing and freshwater facilities and the chance to deliver stronger biological performances in the whole Shetland area. The company is extremely proud of this acquisition and welcome our new colleagues to the business.

Staff recruitment and development continue to be of paramount importance to the company. Over £500,000 was spent on training our staff in 2021, and this expenditure will continue in 2022. The company has welcomed over 200 new staff as part of the Grieg Seafood Hjatland Limited acquisition and we fully expect to share knowledge and experience to further develop the company.

We continue to invest heavily to further improve fish health, lower waste and increase efficiencies. In 2021 we spent £17m to maintain the health and wellbeing of our salmon and to maximise our fish performance. This included the acquisition of our second Thermolicer system at a cost of £2.6m.

Key financial performance indicators include the monitoring of the management of profitability and working capital.

| | 2021 | 2020 | |
|---|---|---|---|
| Profit margin | 10% | 16% | Profit before tax/turnover |
| Current ratio | 2.53 | 0.91 | Current assets: Current liabilities |

Group shareholders' funds have increased by £65,601,000 to £151,908,000 (an increase of 76%). This large increase is due, in part, to the acquisition of Grieg Seafood Hjatland Ltd.

The company continued to support the communities in which we farm and operate through our Heart of the Community fund and in 2021 we contributed £160,000 to 55 different community projects, since 2011 we have paid £1.5m to support local communities.

# 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 they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long-term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

***Board training and support on s172 duties***

Directors are supported in the discharge of their duties by the office of the Company Secretary and a management team. Through this governance structure certain day to day decision making is conducted by the management team of which the company secretary is part of. All directors receive guidance on their statutory duties including s172 and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018.

*Stakeholders*

The Board's responsibility to promote the long-term success of the company, relies on inputs from, and positive relationships with, a wide range of stakeholders.

*Employees*

The Company directors are actively involved in promoting employee engagement. During the year we have engaged with our employees on a regular basis through employee surveys conducted by Investors in People, roadshow of meeting directors and the management team and regular updates through Teams meetings and our internal Yammer pages. The Directors actively encourage communication and decision flows both vertically and horizontally in the value chain in our business supporting our culture of an SSF Family. We work to attract, develop and retain the best in the industry equipping our staff with the relevant skills to be successful.

*Customers*

The Company has continued to engage with key customers on an ongoing basis. The nature of our product and service relies on continual dialogue with our customers to ensure product satisfaction, continuity of product and customer checks in line with their standards. Customer visits are actively encouraged to showcase our high standards of animal welfare and employee competence and this year we have introduced remote audits and site visits using technology with good success.

*Suppliers*

As a Company we depend on the capability and performance of our suppliers to help deliver the product we need for our customers. It is key that these relationships enable our supply chain and our values of choosing local suppliers to support our local communities. Again, this year we have adapted with our supply base using technology and forward planning to ensure the continuity of the supplies we need to operate our business.

*Shareholders*

The Company has continued to engage with shareholders through general meetings and ongoing strategy and development meetings. We rely on the support of our shareholders to enable our longer-term plan and in turn the repayment of dividends.

*Other stakeholders*

The Company is committed to protecting the environment by focusing on good husbandry and housekeeping with the

# Strategic report (continued)

support of specialist teams to encourage innovative thinking. We work with local communities on putting something back through our Heart of Community fund via donations to local charities and clubs. We support our employees by being a Living Wage Employer and continually benchmark our remuneration packages. We work hard at using local suppliers to deliver our needs and build local relationships to support our employees with all aspect of their lives including access to Health & Wellbeing services. We actively consult with local people to gain valuable perspectives on the way in which our activities could impact. Through employee co-operation and efficient management procedures, the company undertakes to encourage sound environmental practices throughout the business.

***Principal Decisions***

When making decisions, the Directors have regard to the longer-term impact of such decisions and any possible impact on all stakeholders. Examples of principal decisions made by the Company board during the fiscal year include: in the management of fish health we have a prevention over cure approach to the health of the salmon we care for and have committed to 3 new physical removal systems for dealing with sealice and introduced earlier interventions on a cage basis as opposed to whole farms.

In 2021 there was no dividend paid as the board wished to fully support the company in the acquisition of Grieg Seafood Hjatland UK Limited, and this was evident as the company paid a part of the purchase price from its working capital facilities.

On behalf of the board

J F Gallagher
Director

28th October 2022

# Directors' report

The directors present their report and the group financial statements for the period ended 2 January 2022.

## Principal activity and review of the business

The principal activity of the group continued to be the farming and processing of Scottish Atlantic salmon.

## Results and dividends

The profit for the period, after taxation, amounts to £13,166,000 (2020: £17,874,000).

No dividends were paid in the period (2020: £nil).

## Directors

The directors at the date of signing these accounts, and through the full financial year are listed on page 2.

## Financial management objectives and policies

The company's principal financial instruments comprise cash, short and long term deposits and/or borrowings, the main purpose of which is to provide finance for its normal trading operations.

Interest is payable on borrowings at commercial rates of interest. The company's interest payable can therefore be affected by changes in interest rates. The company does not undertake active hedging of this risk.

Other financial assets and liabilities such as trade debtors and trade creditors arise directly from trading operations.

Intangible assets acquired as part of a business combination are recognised outside goodwill if the asset is separable or arises from contractual or other legal rights. They are recognised at their fair value at the date of acquisition.

## Going concern

The financial statements have been prepared on a going concern basis which assumes that the company and Group will continue in operational existence for the period to 31 December 2023 and meet its liabilities as they fall due.

The Group's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to credit and interest risk are described in the Strategic Report and the Directors' Report.

The Group made an operating profit for the period ended 2 January 2022 of £20.6m and at the balance sheet date had bank loans of £100m and £58.75m, and a RCF and overdraft totalling £8.5m. This is a result of the Group successfully refinancing the loans in June 2021 and then refinancing further in December 2021 to support the acquisition of Grieg Seafood Hjatland UK Limited and its subsidiaries.

The cashflow forecasts prepared for the new Group demonstrate that within the period from the date of approval of the financial statements to 31 December 2023 the Group can meet the repayments of the new financing agreements and remain compliant with financial covenants throughout. The financial forecasts are robust to sensitivity analysis and stress testing on price and harvest volumes.

# Directors' report (continued)

## SECR Reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Scottish Sea Farms Limited to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the 12-month period ending 31st December 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, gaseous fuels such as natural gas and business travel in company-owned and grey fleet vehicles. The table below details the SECR-regulated energy and GHG emission sources from the current and previous reporting periods.

| | | FY21 | FY20 | % change |
|---|---|---|---|---|
| **Energy (kWh)** | | | | |
| | Gas oil | 39,487,916 | 40,552,667 | -2.6% |
| | Kerosene | 1,571,476 | 70,236 | +2,137.4% |
| | Diesel | 2,604,881 | 2,182,597 | +19.3% |
| | Petrol | 951,420 | 895,357 | +6.3% |
| | Electricity | 16,261,647 | 14,747,597 | +10.3% |
| | **Total energy** | **60,877,340** | **58,448,454** | **+4.2%** |
| **Emissions ($tCO_2e$)** | | | | |
| Scope 1 | Gas oil | 10,797.8 | 10,410.7 | +3.7% |
| | Kerosene | 387.8 | 17.3 | +2,141.6% |
| | Diesel | 617.0 | 525.1 | +17.5% |
| | Petrol | 218.6 | 205.2 | +6.5% |
| Scope 2 (LBM) | Electricity | 3,452.7 | 3,438.3 | +0.4% |
| *Scope 2 (MBM)** | *Electricity* | *2,748.6* | *2,628.8* | *+4.6%* |
| | **Total SECR emissions** | **15,473.9** | **14,596.6** | **+6.0%** |
| **Emission intensity ratio** | | | | |
| | Intensity metric (FTE employee) | 488 | 454 | +7.5% |
| | **Emissions intensity ($tCO_2e$ / FTE employee)** | **31.71** | **32.15** | **-1.4%** |

**Included for comparison only*

Scottish Sea Farms Limited is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures. As part of the Climate Change Agreement, the company actively monitors and reports energy and production data against pre-determined efficiency targets in exchange for a discount on Climate Change Levy.

The Barcaldine freshwater hatchery has recently been accredited with the Aquaculture Stewardship Council (ASC) Salmon Standard, demonstrating a commitment to minimising Scottish Sea Farms' impact on local ecosystems through a number of methods, from energy efficiency improvements through to the procurement of more sustainable feed stocks.

**Methodology //** Stationary combustion (kerosene, gas oil) and mobile combustion (diesel, petrol) disclosures have been calculated using billing spreadsheets and fuel card transaction reports provided by suppliers. FY20 kerosene

# Directors' report (continued)

consumption has been re-stated as additional data has become available – total FY20 emissions have increased 16.8 $tCO_2e$ (0.12%) in comparison to the original submission.

Electricity disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. A negligible amount of energy has been estimated based on the average electricity consumption of adjacent invoices, accounting for approximately 0.01% of energy consumed across the portfolio. All activity data have been converted into equivalent energy and GHG emissions using standard conversion factors as published by BEIS in 2021. Scope 2 emissions associated with electricity have been reported using both location-based (LBM) and market-based (MBM) methods. LBM emissions have been carried into the total – corresponding MBM emissions have been included for comparison only.

## Disabled employees

The group gives full consideration to applications from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

## Employee involvement

The company continue to provide information via regular meetings with managers, and the company also send out regular newsletters, briefings and have an internal social network for business purposes. Employees are also encouraged to present their suggestions and views on the group's performance.

During the period, the company implemented an Employee Assistance Programme. An EAP is an employee benefit designed to assist any employee with personal, health or wellbeing issues they have and is a free confidential service provided by Scottish Sea Farms

## Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the groups auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

## Post Balance Sheet Events

In relation to the conflict in Ukraine, Scottish Sea Farms does not sell to the territories involved, namely Russia, Ukraine or Belarus. Like most companies, however, there has been some cost inflation on consumables and energy. This is not however expected to have a material impact on the group.

On behalf of the board

Jim Gallagher

J F Gallagher
Director

28th October 2022

# Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. The directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 and in accordance with applicable accounting standards and 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 group and the company and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH SEA FARMS LIMITED

## Opinion

We have audited the financial statements of Scottish Sea Farms Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 2nd January 2022 which comprise group Profit and Loss Account, the group and parent company Balance Sheet, the group Statement of comprehensive income, the group and parent Statement of changes in equity and the related notes 1 to 29 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 group's and of the parent company's affairs as at 2nd January 2022 and of the group's 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 group 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 group and parent company's ability to continue as a going concern for a period to 31st December 2023.

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 group'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 OF SCOTTISH SEA FARMS 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 group and the parent 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 parent company 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 9, 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 group's and the parent 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 group or the parent 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 OF SCOTTISH SEA FARMS 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 are FRS 102, Companies Act 2006 and the relevant tax compliance regulations;

- We understood how Scottish Sea Farms Limited is complying with those frameworks by making enquiries of management including the directors. We corroborated our enquires through reading the board minutes, and we noted that there was no contradictory evidence;

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of stakeholders. Where this risk was considered higher, we performed audit procedures to address the fraud risk. These procedures included testing manual journals and testing revenue cut off, and were designed to provide reasonable assurance that the financial statements were free from fraud or error;

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations and enquiries of management.

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.

### 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

*Nick Gomer (Senior statutory auditor)*
*for and on behalf of Emst & Young LLP, Statutory Auditor*
*Glasgow 28/10/2022*

## Group income statement
**for the period ended 2 January 2022**

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| ***Turnover*** | 2 | 198,923 | 138,915 |
| Cost of sales | | (164,805) | (106,401) |
| ***Gross profit*** | | 34,118 | 32,514 |
| Distribution costs | | (9,421) | (5,226) |
| Administrative expenses | | (4,138) | (2,774) |
| ***Group operating profit*** | 3 | 20,559 | 24,514 |
| Net interest payable | 6 | (1,584) | (1,773) |
| ***Profit on ordinary activities before taxation*** | | 18,975 | 22,741 |
| Tax on profit on ordinary activities | 8(a) | (5,809) | (4,867) |
| ***Profit for the financial period*** | | 13,166 | 17,874 |

All the above relate to continuing operations.

# Group statement of comprehensive income

**for the period ended 2 January 2022**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit for the financial period | 13,166 | 17,874 |
| Actuarial gain on defined benefit pension scheme, net of taxation | (1,576) | (1,475) |
| Restriction of defined benefit pension scheme surplus | 1,576 | 1,324 |
| ***Total other comprehensive loss*** | - | (151) |
| ***Total comprehensive income for the period*** | 13,166 | 17,723 |

# Company statement of comprehensive income

**for the period ended 2 January 2022**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit for the financial period | 12,520 | 17,874 |
| Actuarial gain/ (loss) on defined benefit pension scheme, net of taxation | (1,576) | (1,475) |
| Restriction of defined benefit pension scheme surplus | 1,576 | 1,324 |
| ***Total other comprehensive loss*** | - | (151) |
| ***Total comprehensive income for the period*** | 12,520 | 17,723 |

# Statement of changes in equity

**for the period ended 2 January 2022**

| | *Share capital £000* | *Share premium £000* | *Profit and loss account £000* | *Total £000* |
|---|---|---|---|---|
| *Group* | | | | |
| At 29 December 2019 | 21,400 | 1,600 | 45,584 | 68,584 |
| Profit for the period | - | - | 17,874 | 17,874 |
| Other comprehensive loss | - | - | (151) | (151) |
| Total comprehensive income for the period | 21,400 | 1,600 | 63,307 | 86,307 |
| At 3 January 2021 | 21,400 | 1,600 | 63,307 | 86,307 |
| Profit for the period | - | - | 13,166 | 13,166 |
| Reserves adjustment – deferred tax on acquisition | - | - | 2,435 | 2,435 |
| Total comprehensive income for the period | 21,400 | 1,600 | 78,908 | 101,908 |
| Share issue during year | 50,000 | - | - | 50,000 |
| At 2 January 2022 | 71,400 | 1,600 | 78,908 | 151,908 |

No equity dividend was paid in the period (2020 – nil)

| | *Share capital £000* | *Share premium £000* | *Profit and loss account £000* | *Total £000* |
|---|---|---|---|---|
| *Company* | | | | |
| At 29 December 2019 | 21,400 | 1,600 | 17,975 | 40,975 |
| Profit for the period | - | - | 17,874 | 17,874 |
| Other comprehensive loss | - | - | (151) | (151) |
| Total comprehensive income for the period | 21,400 | 1,600 | 35,698 | 58,698 |
| At 3 January 2021 | 21,400 | 1,600 | 35,698 | 58,698 |
| Profit for the period | - | - | 12,520 | 12,520 |
| Total comprehensive income for the period | 21,400 | 1,600 | 48,218 | 71,218 |
| Share issue during year | 50,000 | - | - | 50,000 |
| At 2 January 2022 | 71,400 | 1,600 | 48,218 | 121,218 |

No equity dividend was paid in the period (2020 – nil)

# Group statement of financial position

at 2 January 2022

| | Notes | *2021* *£000* | *2020* *£000* |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Intangible assets | 10 | 123,069 | 3,550 |
| Tangible assets | 11 | 121,170 | 102,724 |
| | | 244,239 | 106,274 |
| ***Current assets*** | | | |
| Stocks | 14 | 124,488 | 95,995 |
| Debtors | 15 | 36,652 | 15,165 |
| | | 161,140 | 111,160 |
| ***Creditors:*** amounts falling due within one year | 16 | (63,812) | (118,785) |
| ***Net current assets/ (liabilities)*** | | 97,328 | (7,625) |
| ***Total assets less current liabilities*** | | 341,567 | 98,649 |
| ***Creditors:*** amounts falling due after more than one year | 17 | (168,195) | (6,287) |
| ***Accruals and deferred income*** | 19 | (1,876) | (1,084) |
| ***Provisions for liabilities and charges*** | 8(d) | (19,588) | (4,971) |
| ***Net assets*** | | 151,908 | 86,307 |
| ***Capital and reserves*** | | | |
| Called up equity share capital | 21 | 71,400 | 21,400 |
| Share premium account | 22 | 1,600 | 1,600 |
| Profit and loss account | | 78,908 | 63,307 |
| ***Equity shareholders' funds*** | | 151,908 | 86,307 |

The financial statements were approved by the board of directors and signed on its behalf by:

Jim Gallagher

J F Gallagher
Director
28th October 2022

# Company statement of financial position

At 2 January 2022

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Intangible assets | 10 | 1,305 | 2,296 |
| Tangible assets | 11 | 96,665 | 101,778 |
| Investments | 12 | 179,063 | 6,500 |
| | | 277,033 | 110,574 |
| ***Current assets*** | | | |
| Stocks | 14 | 83,922 | 95,995 |
| Debtors | 15 | 27,743 | 15,165 |
| | | 111,665 | 111,160 |
| ***Creditors:*** amounts falling due within one year | 16 | (91,480) | (150,694) |
| ***Net current assets/ (liabilities)*** | | 20,185 | (39,534) |
| ***Total assets less current liabilities*** | | 297,218 | 71,040 |
| ***Creditors:*** amounts falling due after more than one year | 17 | (167,628) | (6,287) |
| ***Accruals and deferred income*** | 19 | (952) | (1,084) |
| ***Provisions for liabilities and charges*** | 8(d) | (7,420) | (4,971) |
| ***Net assets*** | | 121,218 | 58,698 |
| ***Capital and reserves*** | | | |
| Called up equity share capital | 21 | 71,400 | 21,400 |
| Share premium account | 22 | 1,600 | 1,600 |
| Profit and loss account | | 48,218 | 35,968 |
| ***Equity shareholders' funds*** | | 121,218 | 58,698 |

The financial statements were approved by the board of directors and signed on its behalf by:

Jim Gallagher

J F Gallagher
Director

28th October 2022

# Notes to the financial statements

at 2 January 2022

## 1. Accounting policies

***Statement of compliance***

Scottish Sea Farms Ltd is a limited liability company incorporated in England. The registered office is c/o Shepherd and Wedderburn, Octagon Point, 5 Cheapside, London, EC2V 6AA. The Groups financial statements have been prepared in compliance with FRS102 and it applies to the financial statements of the Group for the period ended 2 January 2022.

***Basis of preparation***

The financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £000.

***Going concern***

The financial statements have been prepared on a going concern basis which assumes that the company and Group will continue in operational existence for the period to 31 December 2023 and meet its liabilities as they fall due.

The Group's business activities, a review of the business, together with the factors likely to affect its future developments, its financial position, financial risk management objectives, details of its financial instruments, and its exposure to credit and interest risk are described in the Strategic Report and the Directors' Report.

The Group made an operating profit for the period ended 2 January 2022 of £20.6m and at the balance sheet date had bank loans of £100m and £58.75m, and a RCF and overdraft totalling £8.5m. This is a result of the Group successfully refinancing the loans in June 2021 and then refinancing further in December 2021 to support the acquisition of Grieg Seafood Hjatland UK Limited and its subsidiaries.

The cashflow forecasts prepared for the new Group demonstrate that within the period from the date of approval of the financial statements to 31 December 2023 the Group can meet the repayments of the new financing agreements and remain compliant with financial covenants throughout. The financial forecasts are robust to sensitivity analysis and stress testing on price and harvest volumes.

***Basis of consolidation***

The group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 2 January 2022. No income statement is presented for the company as permitted by section 408 of the Companies Act 2006.

***Depreciation***

Depreciation is provided on all tangible fixed assets, other than freehold land and houses. Depreciation is charged to the asset while in use in line with the useful lives detailed below

| | | |
|---|---|---|
| Freehold buildings | - | 30 years |
| Leasehold property | - | 10 years or over the period of the lease if shorter |
| Machinery and equipment | - | 4 - 30 years |
| Motor vehicles | - | 3 – 5 years |

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

***Goodwill and other intangible assets***

Goodwill is the difference between the amount paid on the acquisition of a business's assets and trade and the fair value of its separable net assets. It has been capitalised and is being written off over its expected economic life of 15 years commencing in the year of acquisition. This goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The Group is required to obtain a license for each fish farm owned and operated. These licenses are,

# Notes to the financial statements

**at 2 January 2022**

## 1. Accounting policies (continued)

on average, renewed after 25 years for little cost, and so are regarded as having an indefinite useful life. The licenses are valued based on the expected cashflows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices. However, under FRS102 it will be amortised over the average remaining consent life of an average of 15 years.

***Stocks***

Stocks are valued at the lower of cost and net realisable value. In the case of ongrowing fish, costs include direct labour, feed and direct overheads attributable to fish production.

***Research and development***

Expenditure on research and development is written off in the year in which it is incurred.

***Revenue recognition***

Revenue is recognised to the extent that the group 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. The following criteria must also be met before revenue is recognised:

***Sale of goods***

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. The company manages credit risk by conducting credit checks on its customers and arranges credit terms accordingly.

***Deferred taxation***

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

***Government grants***

Government 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 annual instalments.

Grants of a revenue nature are credited to income in the period to which they relate.

***Leasing and hire purchase commitments***

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

# Notes to the financial statements

**at 2 January 2022**

## 1. Accounting policies (continued)

***Pensions***

The group operates both a defined benefit and a defined contribution pension scheme. The assets of the schemes are held separately from those of the group. Defined benefit pension scheme assets are measured using market value.

Associated 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 terms and currency to the liability.

Any increase in the present value of the liabilities of the group's defined benefit pension scheme expected to arise from employee service in the period, is charged to the operating profit. The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

The net interest is recognised in the income statement as other finance revenue or cost. Actuarial gains and losses are recognised in the statement of total comprehensive income.

A surplus will only be recognised if there is agreement from the Trustees of the Defined Benefit Scheme at the Balance Sheet date and that the company will obtain the benefit from either a refund or reduction in future contributions.

The company also operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All foreign currency exchange differences are dealt with through the income statement.

***Cash flow statement***

The company has taken advantage of the exemption conferred by FRS 102 with the requirements of section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).

***Derivative instruments***

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The company does not undertake any hedge accounting transactions.

**Judgements and key sources of estimation uncertainty**

**Stock**

Stocks are valued at the lower of cost and net realisable value. In the case of on-growing fish, costs include direct labour, feed and direct overheads attributable to fish production. Judgement is required by management to ascertain the appropriate categories and proportion of overheads and other expenses that are directly attributable to the fish production.

There is a further element of estimation in regards to the stocks being held at the lower of cost and net realisable value. There are a series of assumptions made when estimating the net realisable value including the size, number, and biomass of the fish. The accumulated cost of the fish per kilogram can deviate based on the harvest volume. Management utilises several techniques including weighing samples and camera technology to ensure the volume is accurate.

# Notes to the financial statements

at 2 January 2022

## 1. Accounting policies (continued)

**Licenses**

The Group is required to obtain a license for each fish farm owned and operated. These licences, on average, are renewed after 25 years for little cost, and so are regarded as having an indefinite useful life. The licenses are valued based on the expected cashflows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices. However, under FRS102 it will be amortised over the average remaining consent life of an average of 15 years.

## 2. Turnover

Turnover comprises the invoice value of goods and services supplied by the group exclusive of VAT and intra-group transactions.

Turnover is attributable to one continuing activity; the farming and processing of salmon.

No further analysis of turnover has been disclosed, as, in the opinion of the directors, any further analysis would be seriously prejudicial to the interests of the group.

## 3. Group operating profit

This is stated after charging/(crediting):

| | *2021* | *2020* |
|---|---|---|
| | *£000* | *£000* |
| Depreciation of owned assets | 11,482 | 8,929 |
| Depreciation of assets held under finance leases and hire purchase contracts | 879 | 1,534 |
| | 12,361 | 10,463 |
| Auditor remuneration | | |
| - audit services | 70 | 49 |
| - non audit services: | | |
| Taxation - compliance | 36 | 26 |
| Pension | 10 | 7 |
| Taxation - advisory | 35 | 65 |
| Advisory – other | 124 | - |
| Hire of plant and equipment | 21,608 | 13,840 |
| Amortisation of goodwill and intangible assets | 992 | 968 |
| Release of deferred government grants | (205) | (177) |
| Exchange loss | 398 | 230 |
| Gain on sale of fixed assets | (144) | (36) |

## 4. Directors' remuneration

| | *2021* | *2020* |
|---|---|---|
| | *£000* | *£000* |
| Emoluments | 566 | 564 |

The emoluments of the highest paid director for the period ended 2 January 2022 were £566,000 (2020 - £564,000) and pension contributions were £nil (2020 - nil). No directors were members of the Defined Benefit Pension Scheme.

# Notes to the financial statements

**at 2 January 2022**

## 5. Staff costs

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | 19,318 | 17,316 |
| Social security costs | 1,986 | 1,872 |
| Other pension costs | 518 | 469 |
| | 21,822 | 19,657 |

The average number of persons employed by the group, including directors, was made up as follows:

| | 2021 | 2020 |
|---|---|---|
| | No. | No. |
| Production | 441 | 411 |
| Administration | 47 | 43 |
| | 488 | 454 |

## 6. Net interest payable

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Bank loan interest | 1,059 | 1,256 |
| Bank overdraft interest | 358 | 370 |
| Finance charges payable under finance leases and hire purchase contracts | 169 | 180 |
| | 1,586 | 1,806 |
| Less: interest received | (2) | (33) |
| | 1,584 | 1,773 |

## 7. Other finance income

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Interest on pension scheme liabilities | (291) | (370) |
| Expected return on pension scheme assets | 291 | 370 |

# Notes to the financial statements

**at 2 January 2022**

## 8. Taxation

(a) Tax on profit on ordinary activities

*Group*

| The tax charge is made up as follows: | *Note* | *2021* *£000* | *2020* *£000* |
|---|---|---|---|
| UK corporation tax: | | | |
| UK corporation tax on profit for period | | 2,250 | 3,990 |
| Tax (over)/ under provided in previous years | | 959 | 331 |
| | | 3,209 | 4,321 |
| Deferred tax: | | | |
| Originating and reversal of timing differences | | 749 | 46 |
| Adjustment in respect of previous periods | | 70 | (18) |
| Effect of changes in tax rates | | 1,781 | 518 |
| Total tax charge | 8(b) | 5,809 | 4,867 |
| Other comprehensive income items | | | |
| Current tax | | - | (36) |

(b) Factors affecting the total tax charge

*Group*

Tax on profits is at the standard rate of corporation tax in the UK of 19% (2020 – 19%). The tax charge for the year can be reconciled to the profit per the income statement as follows:

| | *Note* | *2021* *£000* | *2020* *£000* |
|---|---|---|---|
| Profit on ordinary activities before tax | | 18,975 | 22,741 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 – 19%) | | 3,605 | 4,317 |
| Effect of: | | | |
| Disallowed expenses and non-taxable income | | 733 | 295 |
| Income not taxable | | (1,339) | (576) |
| Gains/ rollover relief etc | | - | - |
| Adjustment from previous periods | | 1,029 | 313 |
| Tax rate changes | | 1,781 | 518 |
| | 8(a) | 5,809 | 4,867 |

# Notes to the financial statements

**at 2 January 2022**

## 8. Taxation (continued)

(c) Factors that may affect future tax charges

The UK corporation tax rate remained at 19% for the years starting 1 April 2021 in the 2021 budget. The UK government confirmed on 14th October 2022 that the planned Corporation Tax increase to 25% from April 2023 will go ahead.

(d) Deferred tax

The deferred tax liability included in the group and company statement of financial position is as follows:

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Fixed asset timing differences | 10,664 | 5,030 | 7,640 | 5,030 |
| Other timing differences | 334 | (59) | (220) | (59) |
| Losses | (11,537) | - | - | - |
| Fair value adjustments on acquisition | 20,127 | - | - | - |
| | 19,588 | 4,971 | 7,420 | 4,971 |

| | *Group* | *Company* |
|---|---|---|
| | *£000* | *£000* |
| At 3 January 2021 | 4,971 | 4,971 |
| Adjustment in respect of prior years | 70 | 70 |
| Deferred tax charge to income statement for the period | 2,530 | 2,379 |
| Movement arising from the acquisition or disposal of business | (1,741) | - |
| Fair value adjustments to goodwill | 13,758 | - |
| At 2 January 2022 | 19,588 | 7,420 |

Fair value adjustments to goodwill resulted from the alignment of the acquired fixed assets and stocks to the valuation and amortisation to Scottish Sea Farms policies.

All the deferred tax balances above are stated at 25% (2020 – 17%).

## 9. Profit attributable to members of the parent company

The company has not presented its own profit and loss account for the period ended 2 January 2022. Of the group profit for the financial period, a profit attributable to the members of £12,520,000 (2020 – £17,874,000) has been dealt with in the financial statements of the company.

# Notes to the financial statements

at 2 January 2022

## 10. Intangible fixed assets

*Group*

| | *Goodwill* *£000* | *Sites* *£000* | *Total* *£000* |
|---|---|---|---|
| Cost: | | | |
| At 3 January 2021 | 9,656 | 2,525 | 12,181 |
| Additions in period | 18,111 | 102,400 | 120,511 |
| | 27,767 | 104,925 | 132,692 |
| Amortisation | | | |
| At 3 January 2021 | 7,378 | 1,253 | 8,631 |
| Provided in period | 879 | 113 | 992 |
| At 2 January 2022 | 8,257 | 1,366 | 9,623 |
| Net book value: | | | |
| At 2 January 2022 | 19,510 | 103,559 | 123,069 |
| At 3 January 2021 | 2,278 | 1,272 | 3,550 |

*Company*

| | *Goodwill* *£000* | *Sites* *£000* | *Total* *£000* |
|---|---|---|---|
| Cost: | | | |
| At 3 Jan 21 and 2 January 2022 | 8,064 | 2,320 | 10,384 |
| Amortisation | | | |
| At 3 January 2021 | 6,946 | 1,142 | 8,088 |
| Provided in period | 878 | 113 | 991 |
| At 2 January 2022 | 7,824 | 1,255 | 9,079 |
| Net book value: | | | |
| At 2 January 2022 | 240 | 1,065 | 1,305 |
| At 3 January 2021 | 1,118 | 1,178 | 2,296 |

Intangible assets are being amortised in equal annual instalments over their estimated economic life of 15 years. Site leases are issued over 25 years and are written down over this period.

# Notes to the financial statements

**at 2 January 2022**

## 11. Tangible fixed assets

*Group*

| | *Freehold land and buildings £000* | *Buildings and leasehold land £000* | *Machinery and equipment £000* | *Motor vehicles £000* | *Assets under construction £000* | *Total £000* |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 3 January 2021 | 42,306 | 1,099 | 170,147 | 3,907 | 2,235 | 219,694 |
| Additions | 103 | - | 3,286 | 262 | 3,454 | 7,105 |
| Reclassifications | - | - | 1,095 | - | (1,095) | - |
| Acquisition of subsidiary | 7,638 | - | 16,272 | - | - | 23,910 |
| Disposals | (208) | - | - | (181) | - | (389) |
| At 2 January 2022 | 49,839 | 1,099 | 190,800 | 3,988 | 4,594 | 250,320 |
| Depreciation | | | | | | |
| At 3 January 2021 | 5,626 | 1,099 | 106,921 | 3,324 | - | 116,970 |
| Charge for period | 1,201 | - | 10,761 | 399 | - | 12,361 |
| Disposals | - | - | - | (181) | - | (181) |
| At 2 January 2022 | 6,827 | 1,099 | 117,682 | 3,542 | - | 129,150 |
| Net book value: | | | | | | |
| At 2 January 2022 | 43,012 | - | 73,118 | 446 | 4,594 | 121,170 |
| At 3 January 2021 | 36,680 | - | 63,226 | 583 | 2,235 | 102,724 |

The net book value of machinery and equipment and motor vehicles includes £4,472,000 (2020 - £5,088,000) and £318,000 (2020 - £396,000) respectively relating to assets held under finance leases and hire purchase contracts. The cost of land included in the net book value of tangible fixed assets above is £5,501,000 (2020 - £5,428,000).

# Notes to the financial statements

**at 2 January 2022**

## 11. Tangible assets (continued)

*Company*

| | *Freehold land and buildings* £000 | *Buildings and leasehold land* £000 | *Machinery and equipment* £000 | *Motor vehicles* £000 | *Assets under construction* £000 | *Total* £000 |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At 3 January 2021 | 41,008 | 1,099 | 157,726 | 3,621 | 2,235 | 205,689 |
| Additions | 103 | - | 3,287 | 261 | 3,454 | 7,105 |
| Reclassifications | - | - | 1,095 | - | (1,095) | - |
| Disposals | (208) | - | - | (181) | - | (389) |
| At 2 January 2022 | 40,903 | 1,099 | 162,108 | 3,701 | 4,594 | 212,405 |
| Depreciation | | | | | | |
| At 3 January 2021 | 5,413 | 1,099 | 94,362 | 3,037 | - | 103,911 |
| Charge for period | 1,200 | - | 10,410 | 400 | - | 12,010 |
| Disposals | - | - | - | (181) | - | (181) |
| At 2 January 2022 | 6,613 | 1,099 | 104,772 | 3,256 | - | 115,740 |
| Net book value: | | | | | | |
| At 2 January 2022 | 34,290 | - | 57,337 | 446 | 4,592 | 96,665 |
| At 3 January 2021 | 35,595 | - | 63,364 | 584 | 2,235 | 101,778 |

The net book value of machinery and equipment and motor vehicles includes £3,836,000 (2020 - £5,088,000) and £318,000 (2020 - £396,000) respectively relating to assets held under finance leases and hire purchase contracts. The cost of land included in the net book value of tangible fixed assets above is £5,428,000 (2020 - £5,428,000).

# Notes to the financial statements

at 2 January 2022

## 12. Investments

| *Company* | *Subsidiary Undertakings 2021 £000* | *Subsidiary Undertakings 2020 £000* |
|---|---|---|
| *Cost:* | | |
| Opening balance | 6,500 | 6,500 |
| Additions in year | 172,563 | - |
| Closing balance | 179,063 | 6,500 |

| | *Class of share* | *Country of Incorporation* | *Proportion held* |
|---|---|---|---|
| SSF Hjatland UK Limited | Ordinary £1 | Scotland | 100% |
| SSF Shetland Limited* | Ordinary £1 | Scotland | 100% |

The above companies principal activities are the farming and sale of salmon

The companies listed below are dormant.

| | | | |
|---|---|---|---|
| Orkney Sea Farms Ltd* | Ordinary £1 | Scotland | 100% |
| GSP Farms Limited | Ordinary £1 | Scotland | 100% |
| Scottish Sea Farms Sales Limited | Ordinary £1 | Scotland | 100% |
| Kerrera Fisheries Limited | Ordinary £1 | Scotland | 100% |
| MJM (Salmon) Ltd | Ordinary £1 | Scotland | 100% |
| Dury Salmon Ltd | Ordinary £1 | Scotland | 100% |
| Terregles Salmon Company Ltd* | Ordinary £1 | Scotland | 100% |
| Ettrick Trout Co Ltd | Ordinary £1 | Scotland | 100% |
| Isle of Skye Salmon Limited* | Ordinary £1 | Scotland | 100% |

* Held by a subsidiary undertaking

The registered office for all the above companies is:

Laurel House
Laurelhill Business Park
Stirling
FK7 9JQ

## 13. Acquisition

On 15th December 2021 Scottish Sea Farms Limited acquired 100% of the share capital of Grieg Seafood Hjatland UK Limited (company number SC159110), and its subsidiaries Grieg Seafood Shetland Limited (company number SC093192) and Isle of Skye Salmon Limited (company number SC647034). In October 2021 UK Competition and Markets Authority (CMA) started investigating the proposed purchase and on 8th December the deal was cleared, allowing the full acquisition to be completed a week later. The full purchase consideration on 15th December was £172.6m, and this included 21 active farms, a processing plant and a freshwater facility.

The assets and liabilities recognised as a result of the acquisition were as follows:

| | |
|---|---|
| Fixed Assets | 23,910 |
| Stocks | 39,859 |
| Debtors | 12,801 |
| Creditors | (12,504) |
| Cash | 2 |
| Site licences | 102,400 |
| Tax assets | 12,401 |
| Tax liabilities | (24,417) |
| Fair Value of Assets Acquired | 154,452 |
| Consideration paid | 172,563 |
| Goodwill | 18,111 |

*Site licences valuation*

Management considered intangibles on acquisition. Licenses were the sole intangible identified so a fair value calculation was done on 14 of the acquired sites we expect to use. In doing so a multi-period excess earnings method (MEEM) was used. This uses the principle that the value of an intangible asset is estimated from the residual earnings after fair returns on all other assets employed have been deducted from the business' after-tax operating earnings.

These licences, on average, are renewed after 25 years for little cost, and so are regarded as having an indefinite useful life. The licenses are valued based on the expected cashflows generated from the sites, and as part of this valuation management have made estimates over harvest volumes and future prices. Calculations were done based on the assets having an indefinite useful life. However, under FRS102 it will be amortised over the average remaining consent life of an average of 15 years.

*Fair value adjustments*

Management considered other fair value adjustments that had to be made on acquisition. Useful lives of the fixed assets acquired were aligned to the group policy. Stock valuation policies were also made consistent with the group.

# Notes to the financial statements

at 2 January 2022

## 13. Acquisition (continued)

*Year ended 2 January 2022*

During the year the Group acquired 100% of the issued share capital of the following company and its subsidiary undertakings. These are listed below:

| Name of company | Company number | Purchase consideration | Acquisition date |
|---|---|---|---|
| Grieg Seafood Hjatland UK Limited | SC159110 | £172,563 | 15th December 2021 |

Subsidiaries

| | |
|---|---|
| Grieg Seafood Shetland Limited | SC093192 |
| Isle of Skye Salmon Limited (dormant) | SC647034 |

For the year-end 2 January 2022 the company had incurred £2.8m of legal, advisory and finance costs in relation to the acquisition. These were charged to the operating result in the year.

## 14. Stocks

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Materials and feed | 4,942 | 3,317 | 2,628 | 3,317 |
| Fish | 119,546 | 92,678 | 81,294 | 92,678 |
| | 124,488 | 95,995 | 83,922 | 95,995 |

The stocks recognised as an expense in the period were £146,211,000 (2020 - £92,941,000).

## 15. Debtors

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Trade debtors | 17,200 | 9,449 | 8,186 | 9,449 |
| Prepayments and accrued income | 10,649 | 4,652 | 9,172 | 4,652 |
| Amounts owed by ultimate parent undertakings | 386 | 944 | 386 | 944 |
| Amounts owed by subsidiary undertakings | - | - | 5,846 | - |
| Corporation tax recoverable | 3,073 | - | 1,483 | - |
| Other debtors | 5,344 | 120 | 2,670 | 120 |
| | 36,652 | 15,165 | 27,743 | 15,165 |

# Notes to the financial statements

**at 2 January 2022**

## 16. Creditors: amounts falling due within one year

| | | Group | | Company |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Bank loans (note 18) | 13,333 | 61,714 | 13,333 | 61,714 |
| Non secured loan | 1,700 | 2,300 | 1,700 | 2,300 |
| Bank overdraft | 4,001 | 20,375 | 8,551 | 20,375 |
| Trade creditors | 26,862 | 15,308 | 18,498 | 15,308 |
| Social security | 1,042 | 876 | 854 | 876 |
| Corporation tax payable | - | 108 | - | 108 |
| Accruals and deferred income | 15,573 | 16,347 | 15,401 | 16,347 |
| Amounts owed to ultimate parent undertakings | - | - | - | - |
| Obligations under finance leases and hire purchase contracts (note 20) | 1,301 | 1,757 | 1,234 | 1,757 |
| Amounts owed to subsidiary undertakings | - | - | 31,909 | 31,909 |
| | 63,812 | 118,785 | 91,480 | 150,694 |

The bank loans and overdraft are secured by a fixed and floating charge and standard security over all the assets of the company and its subsidiaries. In addition, there is a first priority charge of the company's shares in its subsidiary undertakings.

## 17. Creditors: amounts falling due after more than one year

| | | Group | | Company |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Bank loans (note 18) | 145,417 | - | 145,417 | - |
| Non secured loan | 20,400 | 3,529 | 20,400 | 3,529 |
| Obligations under finance leases and hire purchase contracts (note 20) | 2,378 | 2,758 | 1,811 | 2,758 |
| | 168,195 | 6,287 | 167,628 | 6,287 |

# Notes to the financial statements
**at 2 January 2022**

## 18. Bank loans

| | Group 2021 £000 | Group 2020 £000 | Company 2021 £000 | Company 2020 £000 |
|---|---|---|---|---|
| Wholly repayable within five years: | | | | |
| Bank loan | 158,750 | 61,714 | 158,750 | 61,714 |
| Less: included in creditors: amounts falling due within one year (note 16) | (13,333) | (61,714) | (13,333) | (61,714) |
| Amounts falling due after one year (note 17) | 145,417 | - | 145,417 | - |
| Amounts repayable: | | | | |
| Within one year | 13,333 | 61,714 | 13,333 | 61,714 |
| In two to five years | 145,417 | - | 145,417 | - |
| | 158,750 | 61,714 | 158,750 | 61,714 |

The £21.75m loan facility that commenced in October 2016 and the £52m loan that commenced in November 2019 were both fully repaid in July 2021. In the same month a £60m loan commenced repayable in 20 equal instalments of £1,250,000 with a final repayment of £35m due in 2026.

In 2 January 2022 a £100m loan commenced repayable in 20 equal instalments of £2,083,333 with a final repayment of £58.3m due in 2026.

## 19. Accruals and deferred income

| | Group 2021 £000 | Group 2020 £000 | Company 2021 £000 | Company 2020 £000 |
|---|---|---|---|---|
| Deferred government grants: | | | | |
| At 3 January 2021 | 1,084 | 266 | 1,083 | 266 |
| Received in period | 73 | 998 | 74 | 998 |
| Received due to acquisition | 927 | - | - | - |
| Released in period | (208) | (180) | (205) | (181) |
| At 2 January 2022 | 1,876 | 1,084 | 952 | 1,083 |

# Notes to the financial statements

at 2 January 2022

## 20. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Amounts payable: | | | | |
| Within one year | 1,441 | 1,921 | 1,356 | 1,921 |
| In two to five years | 2,337 | 3,042 | 1,995 | 3,042 |
| Over 5 years | 289 | - | - | - |
| | 4,067 | 4,963 | 3,351 | 4,963 |
| Less: finance charges allocated to future periods | (388) | (447) | (306) | (448) |
| | 3,679 | 4,516 | 3,045 | 4,515 |

Finance leases and hire purchase contracts are analysed as follows:

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *£000* | *£000* | *£000* | *£000* |
| Current obligations (note 16) | 1,301 | 1,757 | 1,234 | 1,757 |
| Non-current obligations (note 17) | 2,378 | 2,759 | 1,811 | 2,759 |
| | 3,679 | 4,516 | 3,045 | 4,515 |

## 21. Called up share capital

| | | *Authorised* | | *Allotted, called up and fully paid* |
|---|---|---|---|---|
| | *2021* | *2020* | *2021* | *2020* |
| | *No* | *No* | *£000* | *£000* |
| Ordinary shares of £1 each | 71,400,000 | 21,400,000 | 71,400 | 21,400 |

During the year the authorised share capital was increased by the creation of 50,00,000 ordinary shares of £1 each. These shares were allotted by the directors at £1 each to help fund the ongoing operations of the business.

# Notes to the financial statements

at 2 January 2022

## 22. Reserves

*Share premium account*

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

## 23. Financial instruments

| | Group 2021 | Group 2020 | Company 2021 | Company 2020 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| *Financial assets that are equity instruments measured at cost less impairment* | - | - | - | - |
| *Financial assets that are debt instruments measured at cost* | | | | |
| - Other debtors | 5,344 | 120 | 2,670 | 120 |
| - Amounts owed by ultimate parent undertakings | 386 | 944 | 386 | 944 |
| *Financial liabilities measured at amortised cost* | | | | |
| Finance leases and hire purchase contracts | 3,679 | 4,515 | 3,679 | 4,515 |
| Trade creditors | 26,861 | 15,308 | 18,498 | 15,308 |
| - Bank loans | 158,750 | 61,714 | 158,750 | 61,714 |
| - Non secured loans | 1,700 | 5,829 | 1,700 | 5,829 |
| - Amounts owed to subsidiary undertakings | - | - | 31,909 | 31,909 |

## 24. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,466,000 (2020 - £1,317,000) for the group, company was £2,058,000 (2020 - £1,317,000)

## 25. Pensions and other post-retirement benefits

The Company operates a defined benefit scheme in the UK. The company took the decision to close the scheme to future accrual with effect from midnight on 31 December 2009. From 1 January 2010 members have been offered membership of the Company's Group Personal Pension Plan and no further defined benefits have accrued.

A valuation has been carried out by a qualified independent actuary based on the FRS 102 assumptions at 31 December 2021. The FRS102 valuation is based on projecting forward the results of the 31 December 2019 funding valuation, allowing for interest on the liabilities, the actual benefits paid out, an estimate of the effect of any changes in the actuarial assumptions and GMP equalisation. Scheme assets are stated at their unaudited bid-market value at 31 December.

# Notes to the financial statements

at 2 January 2022

## 25. Pensions and other post-retirement benefits (continued)

The assets and liabilities of the scheme at 31 December 2021 are:

*Scheme assets at fair value:*

| | *2021* | *2020* |
|---|---|---|
| | *£000* | *£000* |
| Corporate Bonds | 7,923 | 8,397 |
| Government Bonds | 10,461 | 10,554 |
| Liquidity funds | 1,162 | 1,340 |
| Cash | 38 | 33 |
| Fair value of scheme assets | 19,584 | 20,324 |
| Present value of scheme liabilities | (17,741) | (16,954) |
| Defined benefit pension scheme surplus | 1,843 | 3,370 |
| Effect of asset limitation | (1,843) | (3,370) |
| Net pension surplus on the balance sheet | - | - |

The net surplus of £1,843,000 at 31 December 2021 (2020 - £3,370,000) has not been incorporated into the financial statements as Scottish Sea Farms Limited, as an employer, is not deemed to control or be able to benefit from the surplus, in accordance with FRS102.

The company made no deficit reduction contributions in 2021. All costs of administration are paid in addition by the company and are charged directly to the profit or loss as a business expense outside FRS102, so they are excluded from this report.

The movements in assets and liabilities in the period are as follows:

**Changes in the present value of the defined benefit obligations are analysed as follows:**

| | *2021* | *2020* |
|---|---|---|
| | *£000* | *£000* |
| Benefit obligation at beginning of the year | 16,954 | 13,120 |
| Interest cost | 242 | 270 |
| Experience losses | - | 1,085 |
| Benefits paid | (270) | (377) |
| Changes in assumptions | 815 | 2,856 |
| Benefit obligation at 31 December 2021 | 17,741 | 16,954 |

# Notes to the financial statements

**at 2 January 2022**

## 25. Pensions and other post-retirement benefits (continued)

**Changes in the fair value of plan assets are analysed as follows:**

| | *£000* | *£000* |
|---|---|---|
| Fair value of scheme assets at beginning of the year | 20,324 | 17,714 |
| Expected return on scheme assets | 291 | 370 |
| Contributions by employer | - | 188 |
| Benefits paid | (270) | (377) |
| Actuarial gains | (761) | 2,429 |
| Fair value of scheme assets at 2 January 2022 | 19,584 | 20,324 |
| Net amount recognised | nil | nil |

The contributions made by the employer over the financial period have been nil (2020 - £118,000). All costs of administering the scheme are paid by the company and are charged directly to the profit and loss as a business expense.

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Current service cost | - | - |
| Interest income pension scheme assets (before asset limitation effect) | (291) | (370) |
| Interest income pension scheme assets (after asset limitation effect) | (242) | (270) |
| Interest on pension scheme liabilities | 242 | 270 |
| Net return (before asset limitation effect) | - | - |
| Net return (after asset limitation effect) | - | - |

## 25. Pensions and other post-retirement benefits (continued)

**Taken to the statement of comprehensive income:**

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| **Re-measurements (recognised in other comprehensive income (OCI))** | | |
| Actual return less interest income on pension scheme assets | 761 | (2,429) |
| Experience gains and losses arising on the scheme liabilities | - | 1,085 |
| Changes in assumptions underlying the present value of the scheme liabilities | 815 | 2,856 |
| Actuarial gain recognised in OCI | (1,576) | (1,512) |
| Effect of asset limitation | 1,576 | 1,512 |
| Total amount recognised in OCI | - | - |

**Recognised in the group income statement**

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Expected return on pension scheme assets | (291) | (370) |
| Interest on pension obligation | 291 | 370 |
| Net income | - | - |

| *Main assumptions:* | *2021* | *2020* |
|---|---|---|
| Rate of increase in deferred pensions accrued pre 1 March 2002 | 3.72% | 3.50% |
| Rate of increase in deferred pensions accrued post 1 March 2002 | 3.11% | 2.69% |
| Rate of increase in pensions in deferment | 2.95% | 2.16% |
| Discount rate | 1.78% | 1.44% |
| Inflation assumption – RPI | 3.25% | 2.86% |
| Inflation assumption – CPI (pre 2030/post 2030) | 2.25%/ 3.25% | 1.86%/ 2.86% |

An expected rate of return on asset assumption is not required under FRS102, where the interest income on assets will be calculated using the discount rate assumption.

The actual return on scheme assets during 2021 was a loss of £470,000, 2020 was £2,779,000.

**Statutory pension increases or revaluations based on price inflation**

The same post retirement mortality base table assumption has been adopted as was used for the results of the funding valuation at 31 December 2020 i.e. the S3PA tables but with a 34% uplift to the base qx rates on the expensing basis. The future improvements assumption has been updated to be in line with the CMI_2020 projection model with 1.5% p.a. long-term rate of improvement, a smoothing parameter (s-kappa) of 7.5, default core initial improvements parameter of zero and no weight to 2020 data. These tables correspond to life expectancies from age 65 as follows:

# Notes to the financial statements

at 2 January 2022

## 25. Pensions and other post-retirement benefits (continued)

| | Male | Female |
|---|---|---|
| Member currently aged 65 | 20.1 | 21.9 |
| Member currently aged 45 | 21.7 | 23.7 |

The pre retirement mortality assumption is the same as that which was adopted for the most recent actuarial valuation, i.e. the A92 tables with a -2 year age rating.

In addition, an allowance has been made for members to choose to commute 25% of their pension entitlement for a tax-free cash lump sum at retirement using factors currently in force. A sample factor used is £17.5 at age 65 (2020: 25% with sample factor of £15.255 at age 65).

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2021 amounted to £43,000 (2020 – £44,000). The contributions paid into this scheme in the period were £511,000 (2020 - £469,000).

## 26. Other financial commitments

As at 2 January 2022 the group had future minimum rentals payable under non-cancellable operating leases as set out below:

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Within one year | 12,488 | 3,789 |
| Two to five years | 9,037 | 3,340 |
| Over 5 years | 3,201 | - |
| | 24,726 | 7,129 |

## 27. Related parties

i) During the period, the group bought and sold fish in the normal course of business from/to Hallvard Leroy ASA and Salmar Sales ASA, both subsidiaries of its ultimate parent undertakings. The price charged was the normal market price in the case of each individual purchase/sale. Included in the profit and loss account are the following amounts relating to transactions with Hallvard Leroy ASA and Salmar Sales ASA:

| | *2021* *£000* | *2020* *£000* |
|---|---|---|
| Sales to associated company | 16,188 | 9,694 |
| Purchases from associated companies | 475 | 177 |

# Notes to the financial statements

**at 2 January 2022**

## 27. Related parties (continued)

At the balance sheet date the amount due from Hallvard Leroy ASA was £386,000 (2020 - £944,000). The amount due from SSF Shetland was £200,000 (2020 - £221,000).

ii) There have been other intra group transactions but these have not been disclosed due to the exemption contained in Financial Reporting Standard 102.

## 28. Parent undertakings and controlling parties

In the opinion of the directors, the company's immediate parent undertaking is Norskott Havbruk AS, incorporated in Norway. It will include the company in its group financial statements, copies of which will be available from its registered office: Bontelabo 2, 5020 Bergen, Norway.

In the opinion of the directors, the company's ultimate parent undertakings and controlling parties are Leroy Seafood Group ASA and Salmar ASA, both companies incorporated in Norway. Copies of their group financial statements, which include the company, are available from PO Box 7600, N-5020 Bergen, Norway, and N-216 Kverva, Norway, respectively.

## 29. Post balance sheet events

In relation to the conflict in Ukraine, Scottish Sea Farms does not sell to the territories involved, namely Russia, Ukraine or Belarus. Like most companies, however, there has been some cost inflation on consumables and energy. This is not however expected to have a material impact on the group.