Scottish Sea Farms Limited

Report and Financial Statements

31 December 2015

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

Secretary
D Anderson

Auditors
Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

Bankers
DnB Nor Bank ASA
20 St Dunston's Hill
London
EC3R 8HY

Solicitors
Shepherd and Wedderburn
191 West George Street
Glasgow
G2 2LB

Registered Office
Condor House
10 Saint Paul's Churchyard
London
EC4M 8AL

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

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 year to 31 December 2015.

Group turnover was £120,210,000, a decrease of £12,577,000 on 2014.

Group operating profit was £9,155,000 a decrease of £13,298,000 on 2014.

2015 saw strong demand in all markets, but sales prices fell as result of the strong pound against the Norwegian Kroner, Dollar and Euro.

In 2015, Scottish Sea Farms opened three new sites, one in Orkney at Wyre, and two on the Scottish mainland, Kishorn West and Fuinary. This led to a record capital investment of over £13,000,000 to allow us to increase our harvest volumes going forward.

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

	2015	2014	
Profit margin	7.1%	16.4%	Profit before tax/turnover
Current ratio	2.31	3.32	Current assets: Current liabilities

Group shareholders' funds have decreased by £7,526,000 to £51,945,000 (a decrease of 12.7%), due to lower retained earnings and dividends of £15,000,000 were charged in the year.

We consider that the company is well placed in the salmon farming industry against a background of a challenging global environment. The marine environment has been a major challenge for Scottish Sea Farms as well as other farmers in Scotland, Norway and Chile. Water temperatures were on average 1 degree colder than normal, and we have seen an increased challenge with gill health this year, some algae and plankton issues and sealice in our Shetland region has resulted in increased costs, smaller fish sizes and some increased mortality in certain sites all of which is having a negative impact on our operating results and profit level.

Staff development and safety continues to be one of the main aims of the company and in 2015 we invested a total of £273,000 in staff training. 14 new roles were created in the company in 2015.

The Scottish Sea Farms Heart of the Community fund paid over £100,000 towards projects that will make a lasting difference in the communities we operate in.

Strategic report (continued)

Review of the business (continued)

The directors would like to take this opportunity to thank our employees for their continued hard work and dedication through the year

On behalf of the board

J F Gallagher
Director
9 FEBRUARY 2016

Directors' report

The directors present their report and the group financial statements for the year ended 31 December 2015.

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 year, after taxation, amounts to £8,009,000 (2014: £16,972,000).

Dividends of £15,000,000 were declared during the year (2014: £7,000,000) with £7,500,000 being paid within the year.

Directors

The directors during the year, at the year-end and at the date of signing these accounts 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.

The company manages credit risk by conducting credit checks on its customers and arranges credit terms accordingly. The majority of our supply relationships are with a long established base.

Going concern

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 above.

After making suitable enquiries, the Directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

Directors' report (continued)

Employee involvement

During the year, the policy of providing employees with information about the group has been continued through the regular newsletters. Employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

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.

On behalf of the board

Jim F Gallagher

J F Gallagher
Director
9 FEBRUARY 2016

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 year. 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 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

We have audited the financial statements of Scottish Sea Farms Limited for the year ended 31 December 2015 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Statement of Financial Position and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, the Financial Reporting Standard applicable to the UK.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the groups and the parent companys circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH SEA FARMS LIMITED (continued).

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, 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.

Ernst & Young LLP.

Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

9 February 2016.

Group income statement
for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Turnover	2	120,210	132,787
Cost of sales		(104,541)	(101,613)
Gross profit		15,669	31,174
Distribution costs		(3,355)	(4,788)
Administrative expenses		(3,159)	(3,933)
Group operating profit	3	9,155	22,453
Net interest payable	6	(655)	(584)
Other finance income/ (cost)	7	35	(31)
Profit on ordinary activities before taxation		8,535	21,838
Tax on profit on ordinary activities	8(a)	(526)	(4,866)
Profit for the financial year	20 & 21	8,009	16,972

All the above relate to continuing operations.

Group statement of comprehensive income

for the year ended 31 December 2015

	2015	*2014*
	£000	*£000*
Profit for the financial year	8,009	16,972
Actuarial gain on defined benefit pension scheme, net of taxation	136	-
Restriction of defined benefit pension scheme surplus	(671)	-
Total other comprehensive loss	(535)	-
Total comprehensive income for the year	7,474	16,972

Group statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	9	5,881	4,741
Tangible assets	10	29,294	22,702
		35,175	27,443
Current assets			
Stocks	12	65,398	63,585
Debtors	13	10,922	10,134
Cash at bank and in hand		2	5,621
		76,322	79,340
Creditors: amounts falling due within one year	14	(32,975)	(23,929)
Net current assets		43,347	55,411
Total assets less current liabilities		78,522	82,854
Creditors: amounts falling due after more than one year	15	(26,577)	(23,383)
Net assets		51,945	59,471
Capital and reserves			
Called up equity share capital	19 & 21	21,400	21,400
Share premium account	21	1,600	1,600
Profit and loss account	20 & 21	28,945	36,471
Equity shareholders' funds		51,945	59,471

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

Jim F Gallagher

J F Gallagher
Director
9 FEBRUARY 2016

Company statement of financial position

at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	9	5,938	4,778
Tangible assets	10	22,501	18,523
Investments	11	6,500	6,500
		34,939	29,801
Current assets			
Stocks	12	55,112	54,183
Debtors	13	11,030	9,763
Cash at bank and in hand		2	5,621
		66,144	69,567
Creditors: amounts falling due within one year	14	(36,356)	(28,161)
Net current assets		29,788	41,406
Total assets less current liabilities		64,727	71,207
Creditors: amounts falling due after more than one year	15	(26,577)	(23,383)
Provisions for liabilities and charges	8 (d)	(15)	-
Net assets		38,135	47,824
Capital and reserves			
Called up equity share capital	19 & 21	21,400	21,400
Share premium account	21	1,600	1,600
Profit and loss account	20 & 21	15,135	24,824
Equity shareholders' funds		38,135	47,824

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

Jim F Gallagher

J F Gallagher
Director
9 February 2016

Notes to the financial statements

at 31 December 2015

1. Accounting policies

Statement of compliance

Scottish Sea Farms Ltd is a limited liability company incorporated in England. The registered office is Condor House 10 Saint Paul's Churchyard, London, EC4M 8A. The Groups financial statements have been prepared in compliance with FRS102 and it applies to the financial statements of the Group for the year ended 31 December 2015. The Group transitioned from previously extant UK GAAP to FRS102 as at 1 January 2014. An explanation of how transition to FRS102 has affected the reporting financial position and financial performance is given in note 27.

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.

Basis of consolidation

The group financial statements consolidate the financial statements of Scottish Sea Farms Limited and all its subsidiaries made up to 31 December 2015. No profit and loss account 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, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

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

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 in equal annual instalments 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.

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:

Notes to the financial statements
at 31 December 2015

1. Accounting policies (continued)

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.

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.

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 expected return on the schemes assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time, are included in other finance income. Actuarial gains and losses are recognised in the statement of total comprehensive income.

The company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account 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 profit and loss account.

Notes to the financial statements

at 31 December 2015

1. Accounting policies (continued)

Cash flow statement

No cash flow statement has been prepared for the group in accordance with the exemption included in Financial Reporting Standard No 1 for subsidiary undertakings where consolidated financial statements, which include the subsidiary, are publicly available.

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.

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):

	2015	*2014*
	£000	*£000*
Depreciation of owned assets	6,044	5,512
Depreciation of assets held under finance leases and hire purchase contracts	457	318
	6,501	5,830
Directors' remuneration	597	581
Auditors' remuneration		
- audit services	42	42
- non audit services:		
Taxation - compliance	30	30
Pension	6	6
Taxation - advisory	150	-
Hire of plant and equipment	5,048	5,369
Research and development	494	17
Government grants released	0	(147)
Amortisation of goodwill	560	564
Exchange loss	4	198
Gain on sale of fixed assets	(773)	(27)

Notes to the financial statements

at 31 December 2015

4. Directors' remuneration

	2015	*2014*
	£000	*£000*
Emoluments	597	581
Contributions paid into defined contributions pension scheme	35	35

	2015	*2014*
	No.	*No.*
Active members of defined benefit pension scheme	-	-
Active members of defined contributions pension scheme	2	2

The emoluments of the highest paid director for the year ended 31 December 2015 were £400,000 (2014 - £386,000). He was a deferred member of the group's defined benefit pension scheme and his accrued pension at 31 December 2015 was £26,000. Pension contributions for the highest paid director amounted to £25,000 (2014 - £26,000).

5. Staff costs

	2015	*2014*
	£000	*£000*
Wages and salaries	13,381	12,647
Social security costs	1,262	1,297
Other pension costs	304	286
	14,947	14,230

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

	2015	2014
	No.	*No.*
Production	394	381
Administration	35	34
	429	415

6. Net interest payable

	2015	*2014*
	£000	*£000*
Bank loan interest	605	532
Bank overdraft interest	14	4
Finance charges payable under finance leases and hire purchase contracts	66	48
	685	584
Less: interest received	30	-
	655	584

Notes to the financial statements

at 31 December 2015

7. Other finance income/ (cost)

	2015 £000	2014 £000
Interest on pension scheme liabilities	(444)	(450)
Expected return on pension scheme assets	479	419
	35	(31)

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax charge is made up as follows:

	Note	2015 £000	2014 £000
UK corporation tax:			
UK corporation tax on profit for year		1,573	4,988
Tax (over)/ under provided in previous years		(1,159)	20
		414	5,008
Deferred tax:			
Originating and reversal of timing differences		146	(142)
Adjustment in respect of previous periods		(42)	-
Effect of changes in tax rates		8	-
Total tax charge	8(b)	526	4,866

Included in the tax (over)/ under provided in previous years above is an amount of £1,133,000 relating to research and development claims.

(b) Factors affecting the total tax charge

Group

The tax assessed on the profit on ordinary activities for the year is lower/ higher than the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are reconciled below:

	Note	2015 £000	2014 £000
Profit on ordinary activities before tax		8,535	21,838
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)		1,728	4,695
Effect of:			
Disallowed expenses and non-taxable income		102	128
Fixed asset timing differences		-	21
Other timing differences		(153)	9
Tax (over)/ under provided in previous years		(1,159)	20
Tax rate changes		8	-
Brought forward tax losses utilised		-	(7)
	8(a)	526	4,866

Notes to the financial statements

at 31 December 2015

8. Taxation (continued)

(c) Factors that may affect future tax charges

Following the provisions of the Finance Act enacted on 17 July 2013 the main UK corporation tax rate was reduced from 21% to 20% on 1 April 2015. Further reductions in the rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 were included in the Finance (No. 2) Act 2015 which was substantively enacted on 26 October 2015. As the future tax rate reductions were substantively enacted at the financial position date deferred tax should be calculated at a hybrid rate of 19.25% for timing differences reversing in the accounting period ending 31 December 2017, 18.25% for timing differences reversing in the accounting period ending 31 December 2020 and at 18% for all differences reversing at a later date.

As the impact on the reversal of the deferred tax (asset)/liability is not material, all timing differences at the financial position date have been calculated at 18%.

(d) Deferred tax

The deferred tax (asset)/ liability included in the group statement of financial position is as follows:

		Group		*Company*
	2015	*2014*	*2015*	*2014*
	£000	*£000*	*£000*	*£000*
Fixed asset timing differences	(26)	(178)	78	(2)
Other timing differences	(63)	(23)	(63)	(24)
	(89)	(201)	15	(26)

	Group	*Company*
	£000	*£000*
At 1 January 2015	(201)	(26)
Deferred tax charge to income statement for the period	154	81
Adjustment in respect of prior years	(42)	(40)
At 31 December 2015	(89)	15

All the deferred tax balances above are stated at 18% (2014 – 20%).

Notes to the financial statements

at 31 December 2015

9. Intangible fixed assets

Group

	Goodwill	*Sites*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1st January 2015	8,345	810	9,155
Additions	-	1,700	1,700
At 31 December 2015	8,345	2,510	10,855
Depreciation			
At 1st January 2015	3,711	703	4,414
Provided in year	552	8	560
At 31 December 2015	4,263	711	4,974
Net book value:			
At 31 December 2015	4,082	1,799	5,881
At 1st January 2015	4,634	107	4,741

Company

	Goodwill	*Sites*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1st January 2015	8,064	600	8,664
Additions	-	1,705	1,705
At 31 December 2015	8,064	2,305	10,369
Depreciation			
At 1st January 2015	3,286	600	3,886
Provided in year	545	-	545
At 31 December 2015	3,831	600	4,431
Net book value:			
At 31 December 2015	4,233	1,705	5,938
At 1st January 2015	4,778	-	4,778

Goodwill is being amortised in equal annual instalments over its estimated economic life of 15 years.

Notes to the financial statements

at 31 December 2015

10. Tangible fixed assets

Group

	Freehold land and buildings £000	*Buildings on leasehold land £000*	*Machinery and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:					
At 1 January 2015	6,381	1,099	88,239	2,299	98,018
Additions	427	-	12,456	268	13,151
Disposals	-	-	(415)	(109)	(524)
At 31 December 2015	6,808	1,099	100,280	2,458	110,645
Depreciation					
At 1 January 2015	3,032	1,099	69,261	1,924	75,316
Provided during the year	315	-	5,927	259	6,501
Disposals	-	-	(357)	(109)	(466)
At 31 December 2015	3,347	1,099	74,831	2,074	81,351
Net book value:					
At 31 December 2015	3,461	-	25,449	384	29,294
At 1 January 2015	3,349	-	18,978	375	22,702

The net book value of machinery and equipment and motor vehicles includes £3,491,000 (2014 - £1,218,000) and £377,000 (2014 - £348,000) respectively relating to assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2015

10. Tangible assets (continued)

Company

	Freehold land and buildings £000	*Buildings on leasehold land £000*	*Machinery and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost					
At 1 January 2015	3,733	1,099	77,270	2,039	84,141
Additions	427	-	8,727	229	9,383
Transfer from subsidiary	-	-	159	10	169
Disposals	-	-	(415)	(109)	(524)
At 31 December 2015	4,160	1,099	85,741	2,169	93,169
Depreciation					
At 1 January 2015	2,846	1,099	59,942	1,731	65,618
Provided during the year	287	-	5,004	225	5,516
Disposals	-	-	(357)	(109)	(466)
At 31 December 2015	3,133	1,099	64,589	1,847	70,668
Net Book Value					
At 31 December 2015	1,027	-	21,152	322	22,501
At 1 January 2015	887	-	17,328	308	18,523

The net book value of machinery and equipment and motor vehicles includes £3,053,000 (2014 - £1,218,000) and £351,000 (2014 - £317,000) respectively relating to assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2015

11. Investments

Company

	Subsidiary Undertakings 2015 £000	*Subsidiary Undertakings 2014 £000*
Cost:		
At 1 January and 31 December	6,500	6,500

Subsidiary undertakings

	Class of shares	*Country of incorporation*	*Proportion held*
Ettrick Trout Co Ltd	Ordinary £1	Scotland	100%
Orkney Sea Farms Ltd*	Ordinary £1	Scotland	100%
Terregles Salmon Company Ltd*	Ordinary £1	Scotland	100%

The above companies' principal activity is the farming and sale of salmon.

The companies listed below are dormant.

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%

* Held by a subsidiary undertaking

12. Stocks

		Group		*Company*
	2015	*2014*	*2015*	*2014*
	£000	*£000*	*£000*	*£000*
Materials and feed	1,607	1,670	1,403	1,416
Ongrowing fish	63,791	61,915	53,709	52,767
	65,398	63,585	55,112	54,183

Notes to the financial statements

at 31 December 2015

13. Debtors

	Group 2015	Group 2014	Company 2015	Company 2014
	£000	*£000*	*£000*	*£000*
Trade debtors	7,324	6,961	7,324	6,961
Prepayments and accrued income	504	768	491	740
Amounts owed by ultimate parent undertakings	1,650	919	1,649	919
Other debtors	1,355	1,285	1,158	1,117
Deferred tax asset (note 8d)	89	201	-	26
Corporation tax recoverable	-	-	408	-
	10,922	10,134	11,030	9,763

In 2013, a loan of £150,000 was granted to J.F. Gallagher, a director, with interest accruing at 2% per annum. Repayments of £19,000 were made in 2015 leaving a balance after applying interest at 31 December 2015 of £95,000 (2014 - £112,000). The maximum term of the loan is 6 years and the outstanding balance is included within 'Other debtors' above.

14. Creditors: amounts falling due within one year

	Group 2015	Group 2014	Company 2015	Company 2014
	£000	*£000*	*£000*	*£000*
Bank loans (note 16)	3,000	3,000	3,000	3,000
Bank overdraft	6,328	-	6,328	-
Non secured loans	250	563	250	563
Trade creditors	10,513	13,481	9,089	11,552
Social security	496	620	496	620
Corporation tax payable	143	2,730	-	2,237
Dividend payable	7,500	-	7,500	-
Accruals and deferred income	3,586	2,782	3,094	2,376
Obligations under finance leases and hire purchase contracts (note 18)	1,112	380	1,112	380
Amounts owed to subsidiary undertakings	-	-	5,487	7,433
Amounts owed to ultimate parent undertakings	47	373	-	-
	32,975	23,929	36,356	28,161

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.

Notes to the financial statements

at 31 December 2015

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

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Bank loans (note 16)	19,500	22,500	19,500	22,500
Non secured loans	4,750	15	4,750	15
Obligations under finance leases and hire purchase contracts (note 18)	2,327	868	2,327	868
	26,577	23,383	26,577	23,383

16. Bank loans

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Not wholly repayable within five years:				
£30 million bank loan	-	-	-	-
Wholly repayable within five years:				
£30 million bank loan	22,500	25,500	22,500	25,500
Less: included in creditors: amounts falling due within one year (note 14)	(3,000)	(3,000)	(3,000)	(3,000)
Amounts falling due after one year (note 15)	19,500	22,500	19,500	22,500
Amounts repayable:				
Within one year	3,000	3,000	3,000	3,000
In two to five years	19,500	22,500	19,500	22,500
	22,500	25,500	22,500	25,500

This loan facility of £30 million was drawn down in a scheduled refinancing in July 2013 and is repayable in twenty quarterly instalments of £750,000, with a final payment of £15 million due in 2018.

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. Accruals and deferred income

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Deferred government grants:				
At 1 January	-	147	-	147
Released in year	-	(147)	-	(147)
At 31 December	-	-	-	-

Notes to the financial statements

at 31 December 2015

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

		Group		*Company*
	2015	*2014*	*2015*	*2014*
	£000	*£000*	*£000*	*£000*
Amounts payable:				
Within one year	1,200	403	1,200	403
In two to five years	2,510	923	2,510	923
	3,710	1,326	3,710	1,326
Less: finance charges allocated to future periods	(271)	(78)	(271)	(78)
	3,439	1,248	3,439	1,248

Finance leases and hire purchase contracts are analysed as follows:

		Group		*Company*
	2015	*2014*	*2015*	*2014*
	£000	*£000*	*£000*	*£000*
Current obligations (note 14)	1,112	380	1,112	380
Non-current obligations (note 15)	2,327	868	2,327	868
	3,439	1,248	3,439	1,248

19. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2015	*2014*	*2015*	*2014*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

20. Income statement

	Group	*Company*
	£000	*£000*
As at 1 January 2015	36,471	24,824
Profit for the year	8,009	5,846
Actuarial gain on defined benefit pension scheme, net of taxation	136	136
Restriction of defined benefit pension scheme surplus	(671)	(671)
Dividends	(15,000)	(15,000)
As at 31 December 2015	28,945	15,135

The company has not presented its own profit and loss account for the year ended 31 December 2015. Of the group profit for the financial year, a profit attributable to the members of £5,311,000 (2014 – £14,281,000) has been dealt with in the financial statements of the company.

Notes to the financial statements
at 31 December 2015

21. Statement of changes in equity

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 January 2014	21,400	1,600	26,499	49,499
Profit for the year	-	-	16,972	16,972
Total comprehensive income for the year	21,400	1,600	43,471	66,471
Equity dividends	-	-	(7,000)	(7,000)
At 31 December 2014	21,400	1,600	36,471	59,471
Profit for the year	-	-	8,009	8,009
Other comprehensive loss	-	-	(535)	(535)
Total comprehensive income for the year	21,400	1,600	43,945	66,945
Equity dividends	-	-	(15,000)	(15,000)
At 31 December 2015	21,400	1,600	28,945	51,945

A £15,000,000 equity dividend (£0.70 per share) was charged in the year (2014 – £7,000,000, £0.33 per share), £7,500,000 of the dividend was paid within 2015, the remainder paid in January 2016.

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Company				
At 1 January 2014	21,400	1,600	17,543	40,543
Profit for the year	-	-	14,281	14,281
Total comprehensive income for the year	21,400	1,600	31,824	54,824
Equity dividends	-	-	(7,000)	(7,000)
At 31 December 2014	21,400	1,600	24,824	47,824
Profit for the year	-	-	5,846	5,846
Other comprehensive loss	-	-	(535)	(535)
Total comprehensive income for the year	21,400	1,600	30,135	53,135
Equity dividends	-	-	(15,000)	(15,000)
At 31 December 2015	21,400	1,600	15,135	38,135

A £15,000,000 equity dividend (£0.70 per share) was charged in the year (2014 – £7,000,000, £0.33 per share), £7,500,000 of the dividend was paid within 2015, the remainder paid in January 2016.

Notes to the financial statements

at 31 December 2015

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £898,000 (2014 - £869,000) for the group and the company.

23. Pensions and other post-retirement benefits

FRS102 disclosures

The company sponsors the Scottish Sea Farms Defined Benefit Pension Scheme. 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 of the scheme for FRS 102 purposes was carried out by a qualified independent actuary as at 31 December 2015. The FRS102 valuation is based on projecting forward the results of the 31 December 2013 funding valuation, allowing for changes in financial conditions.

The contributions made by the employer over the financial year have been £500,000 (2014 - £ nil). The company will pay a further £500,000 in both 2016 and 2017. In addition, all costs of administration are paid by the company.

The following amounts at 31 December 2015 were measured in accordance with the requirements of FRS102:

The assets and liabilities of the scheme at 31 December 2015 are:

Scheme assets at fair value:

	2015	*2014*
	£000	*£000*
Corporate Bonds	6,106	6,177
Government Bonds	6,940	6,479
Cash	14	87
Fair value of scheme assets	13,060	12,743
Present value of scheme liabilities	(11,653)	(12,037)
Defined benefit pension scheme surplus	1,407	706
Effect of asset limitation	(1,407)	(706)
Net pension surplus on the balance sheet	-	-

The net surplus of £1,407,000 at 31 December 2015 (2014 - £706,000) 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 line with FRS102.

Upon transitioning to FRS102 the Company made no changes in accounting policy other than those imposed by the new financial reporting standard. There was no difference in the equity which would have been disclosed under FRS102 at 31 December 2014. During 2016 the Company will review its ability to recover the surplus in the scheme and its ability to recognise a scheme surplus as a defined benefit scheme asset.

The fair value of the assets of the scheme at 31 December 2015 relates wholly to corporate bonds, government bonds and cash.

Notes to the financial statements

at 31 December 2015

23. Pension scheme (continued)

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

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

	2015	*2014*	*2014*
	£000	*£000*	*£000*
	FRS102	*FRS102*	*FRS17*
Benefit obligation at beginning of the year	12,037	9,627	9,627
Interest cost	444	450	450
Experience losses	-	296	296
Benefits paid	(99)	(87)	(87)
Changes in assumptions	729	1,751	1,751
Benefit obligation at 31 December	11,653	12,037	12,037

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

	£000	*£000*	*£000*
	FRS102	*FRS102*	*FRS17*
Fair value of scheme assets at beginning of the year	12,743	10,530	10,530
Expected return on scheme assets	479	493	419
Contributions by employer	500	-	-
Benefits paid	(99)	(87)	(87)
Actuarial gains/ (losses)	(563)	1,807	1,881
Fair value of scheme assets at 31 December	13,060	12,743	12,743
Net amount recognised	nil	nil	nil

Notes to the financial statements

at 31 December 2015

23. Pension scheme (continued)

	2015 *£000* *FRS102*	*2014* *£000* *FRS102*	*2014* *£000* *FRS17*
Current service cost	-	-	-
Interest income pension scheme assets (before asset limitation effect)	(479)	(493)	(419)
Interest income pension scheme assets (after asset limitation effect)	(444)	(450)	(419)
Interest on pension scheme liabilities	444	450	450
Net return (before asset limitation effect)	-	-	31
Net return (after asset limitation effect)	-	-	31

Taken to the statement of comprehensive income:

	2015 *£000* *FRS102*	*2014* *£000* *FRS102*	*2014* *£000* *FRS17*
Re-measurements (recognised in other comprehensive income (OCI))			
Actual return less interest income on pension scheme assets	563	(1,807)	(1,881)
Experience gains and losses arising on the scheme liabilities	-	296	296
Changes in assumptions underlying the present value of the scheme assets	(729)	1,751	1,751
Actuarial gain/ (loss) recognised in OCI	166	(240)	(166)
Effect of asset limitation	(166)	240	166
Total amount recognised in OCI	-	-	-

Recognised in the group income statement

	2015 *£000*	*2014* *£000*
Expected return on pension scheme assets	(479)	(419)
Interest on pension obligation	444	450
Net (income)/ expense	(35)	31

Notes to the financial statements

at 31 December 2015

Main assumptions:

	2015	*2014*	*2013*
	£000	*£000*	*£000*
Rate of increase in deferred pensions accrued pre 1 March 2002	3.60%	3.60%	3.70%
Rate of increase in deferred pensions accrued post 1 March 2002	3.10%	3.00%	3.30%
Rate of increase in pensions in deferment	2.10%	2.00%	4.70%
Discount rate	4.00%	3.70%	4.70%
Inflation assumption – RPI	3.10%	3.00%	3.40%
Inflation assumption – CPI	2.10%	2.00%	2.60%

Expected rates of return on scheme assets:			
Corporate Bonds	4.00%	3.40%	4.40%
Government Bonds	4.00%	2.40%	3.60%
Cash	-	0.50%	0.50%

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 FRS102 comparator figures for 31 December 2014 shown in this note have this assumption set equal to the discount rate.

The actual return on scheme assets during 2015 was a loss of £84,000 (2014 - £2,300,000).

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 funding valuation at 31 December 2013 i.e. the S1NA tables with a 20% uplift to the base q_x rates. The future improvements assumption has been updated to be in line with the CMI_2013 projection model with 1.25% per annum long term rate of improvement. These tables correspond to life expectancies from age 65 as follows:

	Male	Female
Member currently aged 65	20.9	23.3
Member currently aged 45	22.7	25.2

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 15% of their pension entitlement for a tax free-free cash lump sum at retirement using factors currently in force.(2014: 15%)

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2015 amounted to £26,000 (2014 – £25,000). The contributions paid into this scheme in the year were £304,000 (2014 - £286,000).

Notes to the financial statements

at 31 December 2015

24. Other financial commitments

As at 31 December 2015 the group had annual commitments under non-cancellable operating leases as set out below:

	2015	*2014*
	£000	*£000*
Operating leases which expire:		
Within one year	3,096	1,690
Two to five years	-	1,690
	3,096	3,380

25. Related parties

i) During the year, 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:

	2015	*2014*
	£000	*£000*
Sales to associated company	17,759	23,889
Purchases from associated companies	516	3,902

At the balance sheet date the amount due from Hallvard Leroy ASA was £1,528,000 (2014 - £893,000). The amount outstanding from Salmar ASA was £122,000 (2014 - £26,000).

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

26. 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.

27. Transition to FRS102

The group and company transitioned to FRS102 from previously extant UK GAAP as at 1 January 2014. There is no material financial impact on the transition to FRS102