Registered Number: 958001

Scottish Sea Farms Limited

Report and Financial Statements

31 December 2014

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 2014.

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 2014.

Group turnover was £132,787,000, an increase of £1,922,000 on 2013.

Group operating profit was £22,453,000 a decrease of £559,000 on 2013.

In 2014, we again have seen strong demand in all markets with higher price returns. Salmon continues to be the fish of choice by consumers with its excellent sustainability and health attributes, and we anticipate that this will continue well into the future. We have seen our volumes grow by 2.4% in 2014 and we continue to service growth with our strategic clients in the UK market as well as good growth in export markets particularly in China and the USA. The market conditions have been really positive again this year with global volumes growing by 8%, with significant growth coming from the Chilean industry (20% increase). We are working closely with the Scottish Government to try and allow the Scottish industry and our business to capture our share of the global growth in salmon consumption. In 2014, Scottish Sea Farms secured two new marine sites and increased our farming consents by an additional 4,800 tonnes. This new capacity is part of our strategic goal to increase our annual harvest volumes and will require a total investment of over £20 million and will create up to 15 direct jobs in 2015. We will continue with our strategic plans to secure additional marine sites and we expect to secure further new sites in 2015.

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

	2014	2013	
Profit margin	16.4%	17.0%	Profit before tax/turnover
Current ratio	3.34	2.91	Current assets: Current liabilities

Group shareholders' funds have increased by £9,972,000 to £59,471,000 (an increase of 20.1%), due to the improvement in retained earnings.

We consider that the group is well placed in the salmon farming industry against a background of a challenging global environment.

Feed and biological performance will continue to be our primary goal for improvement going forward. Our policy is to make investments and necessary changes that allow us to continue to improve in these principal areas. We are mindful of the biological risks associated with salmon farming and have a stocking strategy to combat this. We are continuing to invest in wrasse and in 2014 wrasse helped us deliver our best ever year in relation to the management and challenge we have with sealice. We will continue to invest in the research and development programme for wrasse with our partners, but our work in this area is evolving and being rewarded with the knowledge gained in recent years.

Staff development continues to be a primary aim for the company with focus on training our employees to be able to meet the demands of the business. Staff morale is high within the business with all of our employees committed to delivering performance which we believe will give consistent and sustainable returns to the shareholders in the future. We have again invested in further training of our staff in 2014 with site specialist's roles, and we have promoted a significant number of staff into new roles as well as promotions into management roles. It was also pleasing to see that our staff collectively raised £15,000 for Children in Need this autumn.

Strategic report (continued)

Review of the business (continued)

Most employees live in the locality of our operations, with many having been brought up, settled and working within their local communities. We recognise that success not only depends upon our business competence and investment, but also support from within local communities which allows us to grow and develop. The broad aim of our 'Heart of the Community' Trust is to provide financial grants for community projects that deliver lasting change within the regions in which the group operate- Shetland, Orkney, Highland, Argyll and Dumfries. We have been proud to offer financial support over the last four years to worthwhile charities and groups in these important communities. In 2014, we invested just over £150,000 to support activities within our communities.

The business continues with the belief that the environment in which we operate needs to be protected and enhanced. With this aim in mind we have identified targets and objectives for continuous improvement within 2015.

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

6th Feb 2015

Directors' report

The directors present their report and the group financial statements for the year ended 31 December 2014.

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 £16,972,000 (2013: £16,952,000).

Dividends of £7,000,000 were paid and declared during the year (2013: nil).

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

J F Gallagher
Director
6th Feb 2015

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. 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 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 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets and the related notes 1 to 26. 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).

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 group's and the parent company's 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 2014 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

Mark Harvey (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
6 February 2015

Group profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Turnover	2	132,787	130,865
Cost of sales		(101,613)	(100,208)
Gross profit		31,174	30,657
Distribution costs		(4,788)	(4,036)
Administrative expenses		(3,933)	(3,609)
Group operating profit	3	22,453	23,012
Interest payable	6	(584)	(750)
Other finance cost	7	(31)	(64)
Profit on ordinary activities before taxation		21,838	22,198
Tax on profit on ordinary activities	8(a)	(4,866)	(5,246)
Profit for the financial year	20 & 21	16,972	16,952

All the above relate to continuing operations.

Group statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £16,972,000 in the year ended 31 December 2014 (2013 – profit of £16,952,000)

Group balance sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible assets	9	4,741	5,295
Tangible assets	10	22,702	20,928
		27,443	26,223
Current assets			
Stocks	12	63,585	60,325
Debtors	13	10,134	13,296
Cash at bank and in hand		5,621	1,081
		79,340	74,702
Creditors: amounts falling due within one year	14	(23,929)	(25,662)
Net current assets		55,411	49,040
Total assets less current liabilities		82,854	75,263
Creditors: amounts falling due after more than one year	15	(23,383)	(25,617)
Accruals and deferred income	17	-	(147)
Net assets		59,471	49,499
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	36,471	26,499
Equity shareholders' funds		59,471	49,499

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

John F Gallagher

J F Gallagher
Director
6th Feb 2015

Company balance sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible assets	9	4,778	5,312
Tangible assets	10	18,523	16,931
Investments	11	6,500	6,500
		29,801	28,743
Current assets			
Stocks	12	54,183	52,160
Debtors	13	9,763	13,066
Cash at bank and in hand		5,621	1,081
		69,567	66,307
Creditors: amounts falling due within one year	14	(28,161)	(28,632)
Net current assets		41,406	37,675
Total assets less current liabilities		71,207	66,418
Creditors: amounts falling due after more than one year	15	(23,383)	(25,617)
Provisions for liabilities and charges	8 (d)	-	(111)
Accruals and deferred income	17	-	(147)
Net assets		47,824	40,543
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	24,824	17,543
Equity shareholders' funds		47,824	40,543

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

Jim F Gallagher

J F Gallagher
Director

6th Feb 2015

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with applicable accounting standards.

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 2014. 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:

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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 recognised gains and losses.

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 2014

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.

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):

	2014	*2013*
	£000	*£000*
Depreciation of owned assets	5,512	5,490
Depreciation of assets held under finance leases and hire purchase contracts	318	309
	5,830	5,799
Directors' remuneration	581	728
Auditors' remuneration		
- audit services	42	42
- non audit services:		
Taxation	30	30
Pension	6	5
Hire of plant and equipment	5,369	4,316
Research and development	17	1,103
Government grants released	(147)	(133)
Amortisation of goodwill	564	563
Exchange loss	198	167
Gain on sale of fixed assets	(27)	(17)

Notes to the financial statements

at 31 December 2014

4. Directors' remuneration

	2014	*2013*
	£000	*£000*
Emoluments	581	728
Contributions paid into defined contributions pension scheme	35	30

	2014	*2013*
	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 2014 were £386,000 (2013 - £469,000). He was a deferred member of the group's defined benefit pension scheme and his accrued pension at 31 December 2014 was £26,000. Pension contributions for the highest paid director amounted to £26,000 (2013 - £21,000).

5. Staff costs

	2014	*2013*
	£000	*£000*
Wages and salaries	12,647	10,938
Social security costs	1,297	1,066
Other pension costs	286	238
	14,230	12,242

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

	2014	*2013*
	No.	*No.*
Production	381	344
Administration	34	31
	415	375

6. Interest payable

	2014	*2013*
	£000	*£000*
Bank loan interest	532	640
Bank overdraft interest	4	57
Finance charges payable under finance leases and hire purchase contracts	48	53
	584	750

Notes to the financial statements

at 31 December 2014

7. Other finance cost

	2014 £000	2013 £000
Interest on pension scheme liabilities	(450)	(420)
Expected return on pension scheme assets	419	356
	(31)	(64)

8. Taxation

(a) Tax on profit on ordinary activities

Group

The tax charge is made up as follows:

	Note	2014 £000	2013 £000
UK corporation tax:			
UK corporation tax on profit for year		4,988	5,479
Tax under/ (over) provided in previous years		20	(22)
	8(b)	5,008	5,457
Deferred tax:			
Originating and reversal of timing differences	8(d)	(142)	(211)
		4,866	5,246

(b) Factors affecting the current tax charge

Group

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are reconciled below:

	Note	2014 £000	2013 £000
Profit on ordinary activities before tax		21,838	22,198
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21,5% (2013 – 23.25%)		4,695	5,161
Effect of:			
Disallowed expenses and non-taxable income		128	130
Fixed asset timing differences		163	297
Other timing differences		9	(79)
Tax under/ over provided in previous years		20	(22)
Brought forward tax losses utilised		(7)	(30)
	8(a)	5,008	5,457

Notes to the financial statements

at 31 December 2014

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 will be reduced from the current rate of 21%, which has applied from 1 April 2014, to 20% on 1 April 2015. As this rate was substantially enacted at the balance sheet date, then deferred tax should be calculated at the hybrid rate of 20.25% for timing differences reversing in the accounting period ended 31 December 2015; and 20% for differences reversing in the accounting period ended 31 December 2016 and onwards.

As the impact on the reversal of the deferred tax (asset)/liability is not material, all timing differences at the balance sheet date have been calculated at 20%.

(d) Deferred tax

The deferred tax (asset)/ liability included in the balance sheet is as follows:

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Accelerated capital allowances	(178)	16	(2)	178
Other timing differences	(23)	(75)	(24)	(67)
	(201)	(59)	(26)	111

	Group	*Company*
	£000	*£000*
At 1 January 2014	(59)	111
Credit for year	(142)	(141)
Adjustment in respect of prior years	-	4
At 31 December 2014	(201)	(26)

All the deferred tax balances above are stated at 20% (2013 – 20%).

Notes to the financial statements
at 31 December 2014

9. Intangible fixed assets

	Group goodwill £000	*Company goodwill £000*
Cost:		
At 1 January 2014	9,145	8,654
Additions	10	10
At 31 December 2014	9,155	8,664
Amortisation:		
At 1 January 2014	3,850	3,342
Provided during the year	564	544
At 31 December 2014	4,414	3,886
Net book value:		
At 31 December 2014	4,741	4,778
At 1 January 2014	5,295	5,312

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

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 2014	6,077	1,099	81,315	2,095	90,586
Additions	304	-	6,924	376	7,604
Disposals	-	-	-	(172)	(172)
At 31 December 2014	6,381	1,099	88,239	2,299	98,018
Depreciation					
At 1 January 2014	2,756	1,099	64,030	1,773	69,658
Provided during the year	276	-	5,231	323	5,830
Disposals	-	-	-	(172)	(172)
At 31 December 2014	3,032	1,099	69,261	1,924	75,316
Net book value:					
At 31 December 2014	3,349	-	18,978	375	22,702
At 1 January 2014	3,321	-	17,285	322	20,928

The net book value of machinery and equipment and motor vehicles includes £1,218,000 (2013 - £696,000) and £348,000 (2013 - £275,000) respectively relating to assets held under finance leases and hire purchase contracts.

Notes to the financial statements
at 31 December 2014

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 2014	3,429	1,099	71,169	1,867	77,564
Additions	304	-	6,101	344	6,749
Disposals	-	-	-	(172)	(172)
At 31 December 2014	3,733	1,099	77,270	2,039	84,141
Depreciation					
At 1 January 2014	2,597	1,099	55,322	1,615	60,633
Provided during the year	249	-	4,620	288	5,157
Disposals	-	-	-	(172)	(172)
At 31 December 2014	2,846	1,099	59,942	1,731	65,618
Net Book Value					
At 31 December 2014	887	-	17,328	308	18,523
At 1 January 2014	832	-	15,847	252	16,931

The net book value of machinery and equipment and motor vehicles includes £1,218,000 (2013 - £696,000) and £317,000 (2013 - £250,000) respectively relating to assets held under finance leases and hire purchase contracts.

Notes to the financial statements

at 31 December 2014

11. Investments

Company

	Subsidiary Undertakings 2014 £000	Subsidiary Undertakings 2013 £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 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Materials and feed	1,670	2,046	1,416	1,908
Ongrowing fish	61,915	58,279	52,767	50,252
	63,585	60,325	54,183	52,160

Notes to the financial statements

at 31 December 2014

13. Debtors

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Trade debtors	6,961	8,397	6,961	8,397
Prepayments and accrued income	768	446	740	419
Amounts owed by ultimate parent undertakings	919	2,798	919	2,851
Other debtors	1,285	1,596	1,117	1,399
Deferred tax asset (note 8d)	201	59	26	-
	10,134	13,296	9,763	13,066

In 2013, a loan of £150,000 was granted to J.F. Gallagher, a director, with interest accruing at 2% per annum. Repayments of £35,500 were made in 2014 leaving a balance after applying interest at 31 December 2014 of £112,000 (2013 - £145,000). 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		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Bank loans (note 16)	3,000	3,000	3,000	3,000
Non secured loans	563	563	563	563
Trade creditors	13,481	15,327	11,552	12,585
Social security	620	509	620	509
Corporation tax payable	2,730	3,144	2,237	2,564
Accruals and deferred income	2,782	2,705	2,376	2,302
Obligations under finance leases and hire purchase contracts (note 18)	380	414	380	414
Amounts owed to subsidiary undertakings	-	-	7,433	6,695
Amounts owed to ultimate parent undertakings	373	-	-	-
	23,929	25,662	28,161	28,632

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.

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

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Bank loans (note 16)	22,500	25,500	22,500	25,500
Non secured loans	15	15	15	15
Obligations under finance leases and hire purchase contracts (note 18)	868	102	868	102
	23,383	25,617	23,383	25,617

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16. Bank loans

		Group		Company
	2014	2013	2014	2013
	£000	£000	£000	£000
Not wholly repayable within five years:				
£30 million bank loan	-	28,500	-	28,500
Wholly repayable within five years:				
£30 million bank loan	25,500	-	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)	22,500	25,500	22,500	25,500
Amounts repayable:				
Within one year	3,000	3,000	3,000	3,000
In two to five years	22,500	12,000	22,500	12,000
In over five years	-	13,500	-	13,500
	25,500	28,500	25,500	28,500

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		Company
	2014	2013	2014	2013
	£000	£000	£000	£000
Deferred government grants:				
At 1 January	147	280	147	280
Released in year	(147)	(133)	(147)	(133)
At 31 December	-	147	-	147

Notes to the financial statements

at 31 December 2014

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts payable:				
Within one year	403	459	403	459
In two to five years	923	110	923	110
	1,326	569	1,326	569
Less: finance charges allocated to future periods	(78)	(53)	(78)	(53)
	1,248	516	1,248	516

Finance leases and hire purchase contracts are analysed as follows:

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Current obligations (note 14)	380	414	380	414
Non-current obligations (note 15)	868	102	868	102
	1,248	516	1,248	516

19. Called up share capital

		Authorised		*Allotted, called up and fully paid*
	2014	*2013*	*2014*	*2013*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	21,400,000	21,400,000	21,400	21,400

20. Profit and loss account

	Group	*Company*
	£000	*£000*
As at 1 January 2014	26,499	17,543
Profit for the year	16,972	14,281
Dividend paid	(7,000)	(7,000)
As at 31 December 2014	36,471	24,824

The company has not presented its own profit and loss account for the year ended 31 December 2014. Of the group profit for the financial year, a profit of £7,281,000 (2013 – £14,982,000) has been dealt with in the financial statements of the company.

Notes to the financial statements

at 31 December 2014

21. Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Group				
At 1 January 2013	21,400	1,600	9,547	32,547
Profit for the year	-	-	16,952	16,952
At 1 January 2014	21,400	1,600	26,499	49,499
Profit for the year	-	-	16,972	16,972
Dividends	-	-	(7,000)	(7,000)
At 31 December 2014	21,400	1,600	36,471	59,471

A dividend of £7,000,000 equity dividend was paid in the year (2013 - nil).

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total £000*
Company				
At 1 January 2013	21,400	1,600	2,561	25,561
Profit for the year	-	-	14,982	14,982
At 1 January 2014	21,400	1,600	17,543	40,543
Profit for the year	-	-	14,281	14,281
Dividends	-	-	(7,000)	(7,000)
At 31 December 2014	21,400	1,600	24,824	47,824

A £7,000,000 equity dividend was paid in the year (2013 - nil).

22. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £869,000 (2013 - £889,000) for the group and the company.

Notes to the financial statements
at 31 December 2014

23. Pension scheme

FRS17 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 17 purposes was carried out by a qualified independent actuary as at 31 December 2014. The valuation is based on preliminary results of the 31 December 2013 statutory funding valuation.

The contributions made by the employer over the financial year have been £ nil (2013 - £ nil). The company does not expect to contribute to the pension scheme in 2015. In addition, all costs of administration are paid by the company.

The assets and liabilities of the scheme at 31 December 2014 are:

Scheme assets at fair value:

	2014	*2013*
	£000	*£000*
Corporate Bonds	6,177	5,432
Government Bonds	6,479	5,095
Cash	87	3
Fair value of scheme assets	12,743	10,530
Present value of scheme liabilities	(12,037)	(9,627)
Defined benefit pension scheme surplus	706	903
Effect of asset limitation	(706)	(903)
Net pension surplus on the balance sheet	-	-

The net surplus of £706,000 at 31 December 2014 (2013 - £903,000) 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 paragraph 41 of Financial Reporting Standard No. 17 ''Retirement Benefits''.

The fair value of the assets of the scheme at 31 December 2014 relates wholly to corporate bonds, government bonds and cash.

Notes to the financial statements

at 31 December 2014

23. Pension scheme (continued)

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

Change in benefit obligation:

	2014	*2013*
	£000	*£000*
Benefit obligation at beginning of the year	9,627	9,355
Interest cost	450	420
Experience losses	296	-
Benefits paid	(87)	(65)
Changes in assumptions	1,751	(83)
Benefit obligation at 31 December	12,037	9,627

	£000	*£000*
Fair value of scheme assets at beginning of the year	10,530	10,498
Expected return on scheme assets	419	356
Contributions by employer	-	-
Benefits paid	(87)	(65)
Actuarial gains/ (losses)	1,881	(259)
Fair value of scheme assets at 31 December	12,743	10,530

Net amount recognised	nil	nil

The amount recognised in the group profit and loss account, and in the group statement of total recognised gains and losses for the year is analysed as follows:

Recognised in the profit and loss account

	2014	*2013*
	£000	*£000*
Current service cost	-	-
Expected return on pension scheme assets	(419)	(356)
Interest on pension obligation	450	420
Net expense	31	64

Notes to the financial statements

at 31 December 2014

23. Pension scheme (continued)

Taken to the statement of total recognised gains and losses

	2014 *£000*	*2013* *£000*
Actual return less expected return on scheme assets	(1,881)	(259)
Experience gains and losses arising on the scheme liabilities	296	-
Changes in assumptions underlying the present value of the scheme liabilities	1,751	83
Actuarial gain/ (loss) recognised in the statement of total recognised gains and losses	166	(176)
Effect of asset limitation under paragraph 41 of FRS 17	(166)	176
Total amount recognised in the statement of total recognised gains and losses	-	-

The cumulative amount recognised in the statement of total recognised gains and losses is (£1,723k).

Main assumptions:

Rate of increase in deferred pensions accrued pre 1 March 2002	3.60%	3.70%
Rate of increase in deferred pensions accrued post 1 March 2002	3.00%	3.30%
Rate of increase in pensions in deferment	2.00%	2.60%
Discount rate	3.70%	4.70%
Inflation assumption - RPI	3.00%	3.40%
Inflation assumption - CPI	2.00%	2.60%

Expected rates of return on scheme assets:

Corporate Bonds	3.40%	4.40%
Government Bonds	2.40%	3.60%
Cash	0.50%	0.50%

The expected return on assets assumptions have been set as follows:

Expected return on gilts: Long dated fixed interest gilt yield at 31 December 2014.

Expected return on corporate bonds: In line with the yield on over 15 year AA corporate bonds as at 31 December 2014.

Expected return on cash: In line with the Bank of England base rate at 31 December 2014.

The actual return on scheme assets during 2014 was £2,300,000 (2013 - £97,000).

Notes to the financial statements

at 31 December 2014

23. Pension scheme (continued)

Statutory pension increases or revaluations based on price inflation

The UK Government announced on 8 July 2010 that statutory pension increases or revaluations would be based on the Consumer Prices Index measure of price inflation from 2011, rather than the Retail Prices Index measure of price inflation.

The accounting assumption for future revaluations in deferment has been changed to reflect CPI rather than RPI increases. Future increases to pensions once in payment continue to reflect RPI increases.

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	23.2
Member currently aged 45	22.6	25.1

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.

Five year history

	2010	*2011*	*2012*	*2013*	*2014*
	£000	*£000*	*£000*	*£000*	*£000*
Fair value of scheme assets	7,770	10,047	10,498	10,530	12,743
Present value of defined benefit obligation	(7,754)	(7,985)	(9,355)	(9,627)	(12,037)
(Deficit)/surplus in the scheme	16	2,062	1,143	903	706
Difference between actual and expected return on scheme assets	420	1,338	201	(259)	1,881
Experience gains and (losses) on scheme liabilities	(76)	377	-	-	296

The company also operates a defined contribution scheme for its employees. Contributions accrued and due to be paid at 31 December 2014 amounted to £25,000 (2013 – £nil). The contributions paid into this scheme in the year were £286,000 (2013 - £238,000).

Notes to the financial statements

at 31 December 2014

24. Other financial commitments

As at 31 December 2014 the group had annual commitments under non-cancellable operating leases as set out below:

	2014	*2013*
	£000	*£000*
Operating leases which expire:		
Within one year	1,690	3,589
Two to five years	1,690	-
	3,380	3,589

25. Related parties

i) During the year, the group bought and sold fish in the normal course of business from/to Hallvard Leroy AS and Salmar Sales AS, 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 AS and Salmar Sales AS:

	2014	*2013*
	£000	*£000*
Sales to associated company	23,889	28,573
Purchases from associated companies	3,902	3,597

At the balance sheet date the amount due from Hallvard Leroy AS was £893,000 (2013 - £2,798,000).

ii) There have been other intra group transactions but these have not been disclosed due to the exemption contained in Financial Reporting Statement No. 8.

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 AS, 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.