

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 December 2016
for
SFF Services Limited**

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for the Year Ended 31 December 2016**

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SFF Services Limited
Company Information
for the Year Ended 31 December 2016

DIRECTORS:

S Alexander
C A Armstrong
S C Collins
R R Dougal
D Duthie
T Finn
I Gatt
B N Isbister
A M Kenning
K I MacNab
Mrs F Matheson
W McKenzie
D T Milne
M Park
A B Ritchie
M W Robertson
J Watt

SECRETARY:

D Duthie

REGISTERED OFFICE:

24 Rubislaw Terrace
Aberdeen
AB10 1XE

REGISTERED NUMBER:

SC098563 (Scotland)

SFF Services Limited

**Company Information
for the Year Ended 31 December 2016**

AUDITORS:

SBP (Statutory Auditor)
Accountants
and Registered Auditors
Glebefield House
21 Links Terrace
Peterhead
Aberdeenshire
AB42 2XA

**Strategic Report
for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

SFF Services Limited was established in 1986, by the Scottish Fishermen's Federation (SFF) for the purpose of providing vessel and personnel services to offshore marine industries. Profits generated from trading are used to fund the promotion and protection of the Scottish fishing industry through SFF and its constituent associations. The Company aims to maximise the amount of work available for vessels in membership of the Scottish Fishermen's Federation and to spread the benefit across the fishing fleet.

Specialised services include:

Fishing vessels to guard vulnerable subsea infrastructure such as pipelines under construction, wellheads awaiting full protection, power, telecommunication and umbilical cables;

Support (Escort) boats to protect other vessels and their associated equipment during activities such as shooting seismic and towing of pipeline bundles;

Vessels to support environmental and survey work, such as grab sampling, noise monitoring, marine traffic surveys and fish/bird/marine mammal monitoring;

Vessels to undertake post abandonment trawl sweeps and overtrawlability verification work;

Fisheries Liaison Officers (FLO) to assist the smooth interface between the fishing and energy industries of various operations; and,

Marine Mammal Observers (MMO) to undertake cetacean monitoring duties with expertise in Passive Acoustic Monitoring (PAM).

The Company's client list includes oil and gas operators, global subsea contractors, seismic survey companies and offshore renewable industry developers.

5,029 vessel days at sea were supplied in 2016, involving 115 different vessels across 27 separate client projects. 198 vessel inspections were undertaken in the marine assurance process. Guard duty made up 4,889 of the vessel days in 2016 with 140 days split between support and other work. In the same period, 17 personnel were engaged on offshore work across 29 separate client projects, representing 1,271 days at sea in total.

The Company manages various industry projects, including the Independent On-board Observer Scheme (IOOS) to collect important data for the management of Scottish fisheries. The fifth phase of the IOOS ran during 2016. Phase one of the Gear Innovation and Technology Advisory Group ended during 2016 with phase two beginning. These projects are supported by funding from by the Scottish Government and the European Maritime and Fisheries Fund.

**Strategic Report
for the Year Ended 31 December 2016**

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors have identified the main risks faced by the company and documented them in a Risk Register. The Register is subject to regular review and to amendment as necessary to address changing circumstances.

Key Performance Indicators include:

- Building sufficient reserves and working capital;
- Efficient invoicing of, and controlling credit to, clients;
- Continuously improving and maintaining high standards of marine assurance; and,
- Providing high quality activity reports to clients.

The Company has set business improvement, quality, environmental, competence, and health and safety objectives and targets which are closely aligned to the risk areas identified in the Risk Register. Quality, Health, Safety and Environmental Management Systems are certified by DNV Business Assurance as meeting the ISO 9001, ISO 14001 and OHSAS 18001 standards. The Company is also FPAL Verified and Achilles JQS and UVDB Qualified.

FINANCE

2016 turnover was £12.9m (2015, £19.2m) as activity levels exceeded expectations. Gross profit margin was maintained. Overhead costs were reduced and profit from ordinary activities before revaluation of assets and tax was £874k (2015, £1,319k). The upward revaluation of the investment portfolio and net revaluation of properties resulted in a credit of £232k.

After payment of a dividend of £400k to SFF, shareholder's funds increased to £7.1m, consolidating further the sound financial base while ensuring sufficient working capital to continue to allow prompt payment to suppliers and allowing the Directors to consider new opportunities.

GOVERNANCE

The Board meets quarterly and the management committee also meets regularly in between Directors' meetings, providing guidance to the Company's management on ongoing business development, financial and operational issues.

FUTURE VISION

The Company predicted a steep reduction in turnover in 2016 taking into account the continued lower oil price affecting exploration and development activity in the UK Continental Shelf and budgeted accordingly. Activity exceeded expectations, helped by contracts being secured in a range of client activities including; oil and gas decommissioning, subsea cables and offshore renewables.

The combination of an unmatched pool of vessels and personnel at the Company's disposal, a good reputation for delivering high-quality, cost-effective service and tried and tested management systems places SFF Services in a strong position when tendering for business. However, nothing is taken for granted and the latest Strategic Review commenced in early 2017.

ON BEHALF OF THE BOARD:



D Duthie - Secretary

26 July 2017

**Report of the Directors
for the Year Ended 31 December 2016**

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were that of the provision of vessels and offshore personnel to the offshore industries.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2016 will be £400,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

C A Armstrong
S C Collins
R R Dougal
T Finn
I Gatt
B N Isbister
A M Kenning
K I MacNab
Mrs F Matheson
W McKenzie
D T Milne
M Park
A B Ritchie
M W Robertson

Other changes in directors holding office are as follows:

S Alexander - appointed 27 January 2016
J H Brown - resigned 27 January 2016
D Duthie - appointed 27 January 2016
J D M Hermse - resigned 20 April 2016
J Watt - appointed 27 January 2016

Share Information

The shares are held in trust for the Scottish Fishermen's Federation.

CHARITABLE DONATIONS AND EXPENDITURE

During the year the company made charitable contributions totalling £102,770 of which £100,000 was paid to the Scottish Fishermen's Trust, registered charity SC029712. Total contributions also included a payment of £100,000 to Fisheries Innovation Scotland, registered charity SC045119, being the third and final instalment of three annual donations of £100,000 which were fully provided for in the 2013 accounts.

**Report of the Directors
for the Year Ended 31 December 2016**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors have recognised their responsibility to prepare a Strategic Report which is set out in pages 2 to 4 of these financial statements.

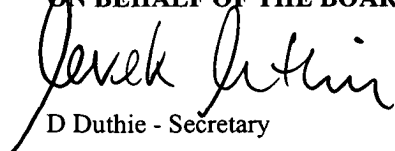
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, SBP (Statutory Auditor), will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


D Duthie - Secretary

26 July 2017

Report of the Independent Auditors to the Members of SFF Services Limited

We have audited the financial statements of SFF Services Limited for the year ended 31 December 2016 on pages nine to twenty three. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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 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 Strategic Report and the Report of the Directors 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 company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

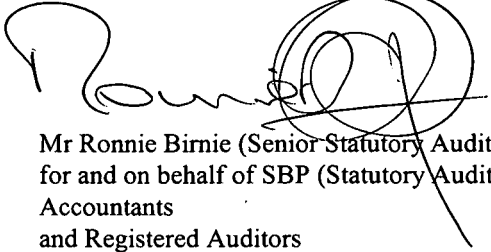
In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment, we have not identified any material misstatements in the Strategic Report or the Report of the Directors.

**Report of the Independent Auditors to the Members of
SFF Services Limited**

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



Mr Ronnie Birnie (Senior Statutory Auditor)
for and on behalf of SBP (Statutory Auditor)
Accountants
and Registered Auditors
Glebefield House
21 Links Terrace
Peterhead
Aberdeenshire
AB42 2XA

26 July 2017

**Statement of Comprehensive Income
for the Year Ended 31 December 2016**

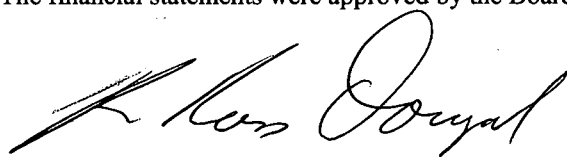
		31.12.16		31.12.15	
	Notes	£	£	£	£
TURNOVER	3		12,889,916		19,182,596
Cost of sales			11,249,729		16,960,454
GROSS PROFIT			1,640,187		2,222,142
Administrative expenses			908,280		963,224
			731,907		1,258,918
Other operating income			665		-
OPERATING PROFIT	5		732,572		1,258,918
Profit/loss on sale of current asset investments	6		95,173		24,126
			827,745		1,283,044
Income from fixed asset investments		9,854		9,465	
Interest receivable and similar income		36,515		26,723	
			46,369		36,188
			874,114		1,319,232
Revaluation of assets and investments	7		(231,900)		-
			1,106,014		1,319,232
Interest payable and similar expenses	8		-		10
PROFIT BEFORE TAXATION			1,106,014		1,319,222
Tax on profit	9		168,007		241,475
PROFIT FOR THE FINANCIAL YEAR			938,007		1,077,747
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			938,007		1,077,747

The notes form part of these financial statements

Balance Sheet
31 December 2016

	Notes	31.12.16 £	31.12.15 £
FIXED ASSETS			
Tangible assets	11	930,303	1,636,524
Investment property	12	820,000	-
		<u>1,750,303</u>	<u>1,636,524</u>
CURRENT ASSETS			
Debtors	13	2,250,376	1,779,854
Investments	14	683,912	506,925
Cash at bank and in hand		4,102,023	4,432,668
		<u>7,036,311</u>	<u>6,719,447</u>
CREDITORS			
Amounts falling due within one year	15	1,676,648	1,797,439
NET CURRENT ASSETS		<u>5,359,663</u>	<u>4,922,008</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,109,966</u>	<u>6,558,532</u>
PROVISIONS FOR LIABILITIES	17	13,427	-
NET ASSETS		<u><u>7,096,539</u></u>	<u><u>6,558,532</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	2	2
Retained earnings	19	7,096,537	6,558,530
SHAREHOLDERS' FUNDS		<u><u>7,096,539</u></u>	<u><u>6,558,532</u></u>

The financial statements were approved by the Board of Directors on 26 July 2017 and were signed on its behalf by:



R R Dougal - Director

The notes form part of these financial statements

**Statement of Changes in Equity
for the Year Ended 31 December 2016**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	2	5,980,783	5,980,785
Changes in equity			
Dividends	-	(500,000)	(500,000)
Total comprehensive income	-	1,077,747	1,077,747
Balance at 31 December 2015	2	6,558,530	6,558,532
Changes in equity			
Dividends	-	(400,000)	(400,000)
Total comprehensive income	-	938,007	938,007
Balance at 31 December 2016	2	7,096,537	7,096,539

The notes form part of these financial statements

**Cash Flow Statement
for the Year Ended 31 December 2016**

	Notes	31.12.16 £	31.12.15 £
Cash flows from operating activities			
Cash generated from operations	1	376,707	1,530,237
Interest paid		-	(10)
Cash payments - investment purchases		(453,204)	(151,856)
Cash receipts - investment sales		446,475	146,974
Tax paid		(241,475)	(258,594)
Net cash from operating activities		<u>128,503</u>	<u>1,266,751</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(5,517)	(76,694)
Sale of tangible fixed assets		-	317
Interest received		36,515	26,723
Dividends received		9,854	9,465
Net cash from investing activities		<u>40,852</u>	<u>(40,189)</u>
Cash flows from financing activities			
Equity dividends paid		(500,000)	(500,000)
Net cash from financing activities		<u>(500,000)</u>	<u>(500,000)</u>
(Decrease)/increase in cash and cash equivalents		<u>(330,645)</u>	<u>726,562</u>
Cash and cash equivalents at beginning of year	2	4,432,668	3,706,106
Cash and cash equivalents at end of year	2	<u><u>4,102,023</u></u>	<u><u>4,432,668</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2016**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.12.16	31.12.15
	£	£
Profit before taxation	1,106,014	1,319,222
Depreciation charges	48,553	59,760
Loss on disposal of fixed assets	-	523
Gain on disposal of shares	(95,173)	(24,126)
Revaluation of fixed and other assets	(231,900)	-
Finance costs	-	10
Finance income	(46,369)	(36,188)
	781,125	1,319,201
(Increase)/decrease in trade and other debtors	(470,522)	830,533
Increase/(decrease) in trade and other creditors	66,104	(619,497)
Cash generated from operations	376,707	1,530,237

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	4,102,023	4,432,668

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	4,432,668	3,706,106

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2016**

1. STATUTORY INFORMATION

SFF Services Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of discounts and VAT. Revenue is recognised to the extent that it is probable that economic benefit will flow to the company and when its value can be measured with a sufficient degree of certainty and reliability. All income is recognised in the accounting period to which it relates which includes an appropriate portion of amounts recoverable on guardship and liaison contracts which are in progress as at the year end date.

In addition to its commercial operations, the company manages the Independent On-board Observer Scheme (IOOS) and other projects. These projects are fully funded by the Scottish Government and European Maritime and Fisheries Fund under grant awards. The funding received is matched to the expenses incurred under the various projects and does not form part of the declarable turnover of the company.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Fixtures and fittings	- 10% on cost
Computer equipment	- 25% on cost

Depreciation on mobile phones is charged at 50% on cost.

As a result of the requirements of Financial Reporting Standard 102, the property held for commercial rental purposes was reclassified from 'Tangible Fixed Assets Freehold Property' to 'Investment Property' in the 2016 financial year. The directors also made the decision to amend the policy in relation to the single remaining freehold property and declare it under the revaluation model method. The valuation uplift in the year was £325,307. The property in question is generally depreciated at a rate of 2% on cost per annum and, going forward, revaluations will be made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value as determined from market based evidence. From the 2016 financial year, no depreciation is charged on the properties which have been re-categorised as 'Investment property'.

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised in respect of Fixed assets, investment property and current asset investments.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Current asset investments

As a result of the requirements of Financial Reporting Standard 102, the share investment portfolio is stated at current market value with revaluation gains and losses declared through the Income Statement. The revaluation gain for the year under report was £75,085. Actual gains and losses on disposal of shares are also reported through the Income Statement as they arise.

Amounts recoverable on contracts

Amounts recoverable on contracts represents the value of income earned on guardship and liaison contracts which are in progress as at the financial year end date. An appropriate portion of the total contract value is reported as turnover in the current financial year with corresponding accruals made for the costs which are directly related to the turnover that has been reported.

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

There was no income generated through operations in the Norwegian Sector of the North Sea during the year under report. In the previous financial year income through the Norwegian sector totalled NOK1,437,399 (sterling equivalent £116,469).

4. EMPLOYEES AND DIRECTORS

	31.12.16	31.12.15
	£	£
Wages and salaries	259,742	282,135
Social security costs	28,397	33,429
Other pension costs	15,546	16,591
	<u>303,685</u>	<u>332,155</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

4. **EMPLOYEES AND DIRECTORS - continued**

The average monthly number of employees during the year was as follows:

	31.12.16	31.12.15
Management	4	4
Administration	3	4
	<u>7</u>	<u>8</u>

In addition to its commercial operations, the company manages the Independent On-board Observer Scheme (IOOS) and other projects. These projects are fully funded by the Scottish Government and European Maritime and Fisheries Fund under grant awards. The average monthly number of employees involved in these schemes during 2016 was 8.

	31.12.16	31.12.15
	£	£
Directors' remuneration	<u>126,927</u>	<u>13,721</u>

In addition to the declared remuneration, the company made pension contributions totalling £7,773 to a defined contribution scheme on behalf of two of the directors.

Two employees became Directors of the Company during 2016.

5. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	31.12.16	31.12.15
	£	£
Depreciation - owned assets	48,553	59,760
Loss on disposal of fixed assets	-	523
Auditors' remuneration	8,900	8,750
Foreign exchange differences	<u>(969)</u>	<u>1,067</u>

6. **EXCEPTIONAL ITEMS**

	31.12.16	31.12.15
	£	£
Profit/loss on sale of current asset investments	<u>95,173</u>	<u>24,126</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

7. **REVALUATION OF ASSETS AND INVESTMENTS**

	31.12.16	31.12.15
	£	£
Revaluation of fixed assets	(325,307)	-
Revaluation of fixed asset investments	168,492	-
	<u>(156,815)</u>	<u>-</u>

Under the requirements of Financial Reporting Standard 102 the properties held for commercial rental purposes have been re-stated as 'Investment property' and declared in the Balance Sheet at current market value. The remaining single freehold property has also been declared at current market value. Against the previous carrying values (original cost less accumulated depreciation) a gain of £325,307 was reported in relation to the freehold property and a loss of £168,492 against the investment property. No depreciation was charged on the investment property in the year under report. No revaluations were made in the previous year. Current asset investments were also revalued and stated at market value in the Balance Sheet as reported in Note 14.

8. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.16	31.12.15
	£	£
Other interest	-	10
	<u>-</u>	<u>10</u>

9. **TAXATION**

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	31.12.16	31.12.15
	£	£
Current tax:		
UK corporation tax	154,580	241,475
Deferred tax	13,427	-
Tax on profit	<u>168,007</u>	<u>241,475</u>

UK corporation tax has been charged at 20%.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

9. TAXATION - continued**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.16 £	31.12.15 £
Profit before tax	<u>1,106,014</u>	<u>1,319,222</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.230%)	221,203	266,879
Effects of:		
Expenses not deductible for tax purposes	7,115	4,964
Income not taxable for tax purposes	(1,971)	(1,905)
Capital allowances in excess of depreciation	-	(3,352)
Depreciation in excess of capital allowances	8,257	-
Utilisation of tax losses	(13,644)	(4,881)
Expenditure charged against previously disallowed provision	(20,000)	(20,230)
Revaluation of assets & investments not taxable	(46,380)	-
Provision for deferred tax	13,427	-
Total tax charge	<u>168,007</u>	<u>241,475</u>

There was no liability to Norwegian Taxation in 2016 or 2015. Losses of NOK 2,022,022 remain to be carried forward to future years.

UK tax losses of £68,217 in respect of capital transactions (disposal of share investments) were fully utilised in the year against capital gains on share disposals of £95,173. There are no UK tax losses remaining to carry forward.

Due to the requirements of Financial Reporting Standard 102 a provision for deferred tax has been created in the current year which comprises £13,339 in relation to accelerated capital allowances on fixed assets and £88 in relation to the revaluation of assets and investments. The tax rate applied in the provision calculation is 19%, being the anticipated forward rate of Corporation Tax. There was no provision made in previous years.

10. DIVIDENDS

	31.12.16 £	31.12.15 £
Final	<u>400,000</u>	<u>500,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

11. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
COST OR VALUATION				
At 1 January 2016	1,739,507	105,426	144,489	1,989,422
Additions	-	2,206	3,311	5,517
Disposals	-	-	(1,726)	(1,726)
Revaluations	325,307	-	-	325,307
Reclassification/transfer	(1,051,266)	-	-	(1,051,266)
	<u>1,013,548</u>	<u>107,632</u>	<u>146,074</u>	<u>1,267,254</u>
At 31 December 2016	<u>1,013,548</u>	<u>107,632</u>	<u>146,074</u>	<u>1,267,254</u>
DEPRECIATION				
At 1 January 2016	212,557	66,826	73,515	352,898
Charge for year	13,765	7,438	27,350	48,553
Eliminated on disposal	-	-	(1,726)	(1,726)
Reclassification/transfer	(62,774)	-	-	(62,774)
	<u>163,548</u>	<u>74,264</u>	<u>99,139</u>	<u>336,951</u>
At 31 December 2016	<u>163,548</u>	<u>74,264</u>	<u>99,139</u>	<u>336,951</u>
NET BOOK VALUE				
At 31 December 2016	<u>850,000</u>	<u>33,368</u>	<u>46,935</u>	<u>930,303</u>
At 31 December 2015	<u>1,526,950</u>	<u>38,600</u>	<u>70,974</u>	<u>1,636,524</u>

As a result of the requirements of Financial Reporting Standard 102, the property held for commercial rental purposes was reclassified from 'Tangible Fixed Assets Freehold Property' to 'Investment Property' in the 2016 financial year. The directors also made the decision to amend the policy in relation to the single remaining freehold property and declare it on the same basis as the 'Investment Property' using the revaluation model method.

Cost or valuation at 31 December 2016 is represented by:

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
Valuation in 2016	325,307	-	-	325,307
Cost	688,241	107,632	146,074	941,947
	<u>1,013,548</u>	<u>107,632</u>	<u>146,074</u>	<u>1,267,254</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

11. TANGIBLE FIXED ASSETS - continued

If freehold property had not been revalued it would have been included at the following historical cost:

	31.12.16	31.12.15
	£	£
Cost	<u>688,241</u>	<u>688,241</u>
Aggregate depreciation	<u>163,548</u>	<u>149,783</u>
Value of land in freehold land and buildings	<u>524,693</u>	<u>538,458</u>

Freehold property was valued on an open market basis on 7 April 2017 by FG Burnett Property Consultants.

12. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
Revaluations	(168,492)
Reclassification/transfer	<u>1,051,266</u>
At 31 December 2016	<u>882,774</u>
DEPRECIATION	
Reclassification/transfer	<u>62,774</u>
At 31 December 2016	<u>62,774</u>
NET BOOK VALUE	
At 31 December 2016	<u>820,000</u>

As a result of the requirements of Financial Reporting Standard 102, the property held for commercial rental purposes was reclassified from 'Tangible Fixed Assets Freehold Property' to 'Investment Property' in the 2016 financial year.

The net book value of the property at date of revaluation was £988,492 being original total cost of £1,051,266 less accumulated depreciation of £62,774.

Cost or valuation at 31 December 2016 is represented by:

	£
Valuation in 2016	(168,492)
Cost	<u>1,051,266</u>
	<u>882,774</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

12. INVESTMENT PROPERTY - continued

If investment property had not been revalued it would have been included at the following historical cost:

	31.12.16	31.12.15
	£	£
Cost	1,051,266	1,051,266
Aggregate depreciation	(83,799)	(62,774)

Investment property was valued on an open market basis on 31 March 2017 by FG Burnett Property Consultants.

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16	31.12.15
	£	£
Trade debtors	1,705,845	1,278,059
Amounts recoverable on contract	135,756	140,670
Other debtors	308,026	266,050
Investment Deposit account	13,173	14,129
Investment Income account	108	1,559
VAT	78,179	66,096
Prepayments	9,289	13,291
	2,250,376	1,779,854

The balance of 'Other debtors' includes the sum of £235,699 (2015: £237,704), being costs incurred in respect of the management of the Independent On-board Observer Scheme (IOOS) and also balances totalling £49,066 (2015: £25,382) in respect of other ongoing projects. The costs incurred are reimbursed through the Scottish Government and European Maritime and Fisheries Fund. The costs and the related grant income do not form part of the trading activities of the company and are not declared through the Profit & Loss Account.

14. CURRENT ASSET INVESTMENTS

Current asset investments are stated at market value. The cost of the investments declared as at 31 December 2016 was £608,827 (2015 - £506,925). The investment portfolio is professionally managed and valued by investment managers, 'Rathbones'. The uplift in value of the portfolio in the current year against the previous carrying value was £75,085.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.16	31.12.15
	£	£
Trade creditors	242,395	164,859
Tax	154,580	241,475
Proposed dividends	400,000	500,000
Other creditors	494,313	548,550
Due to SFF	385,360	342,555
	1,676,648	1,797,439

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Other creditors in the previous financial year included an accrued amount of £100,000 being the company's final contribution to Fisheries Innovation Scotland (FIS) which was paid in full during the 2016 financial year. The balance of creditors for 2015 and 2016 includes an accrued amount of £20,000 being a provision made in respect of a study to be undertaken by Strathclyde University on behalf of the company.

16. SECURED DEBTS

The Bank hold a floating charge over the assets and undertakings of the company in respect of general credit facilities.

17. PROVISIONS FOR LIABILITIES

	31.12.16 £	31.12.15 £
Deferred tax	<u>13,427</u>	<u>-</u>
		Deferred tax
		£
Provided during year		<u>13,427</u>
Balance at 31 December 2016		<u><u>13,427</u></u>

Deferred tax has been provided for in relation to general fixed assets on which capital allowances have been claimed, revalued freehold and investment property and revalued investments.

Under previous accounting policies and requirements, no deferred tax provision was made in previous years.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.16 £	31.12.15 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

19. RESERVES

	Retained earnings £
At 1 January 2016	6,558,530
Profit for the year	938,007
Dividends	<u>(400,000)</u>
At 31 December 2016	<u><u>7,096,537</u></u>

Of the balance of the retained reserves of £7,096,537, a total value of £231,900 is non distributable, being attributable to the revaluation of assets and investments. The net value of distributable reserves is £6,864,637.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

20. PENSION COMMITMENTS

The company employees are members of a defined contribution pension scheme operated by the Scottish Fishermen's Federation. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £15,546 (2015: £16,591). There were no outstanding or prepaid contributions at the beginning or the end of the financial year.

21. RELATED PARTY DISCLOSURES

The company is controlled through nominees, by the Scottish Fishermen's Federation which is an unincorporated body, part of its operation being to provide management services to this company. Management fees charged to the profit and loss account for the year ended 31 December 2016 amount to £121,000 (2015: £131,000). As at 31 December 2016, SFF Services Limited were due £385,360 (2015: £342,555) to the Scottish Fishermen's Federation which is included within the creditors figures per note 15.

Dividends of £400,000 have been declared for the financial year (2015: £500,000).

22. ULTIMATE CONTROLLING PARTY

As stated in the Related Party Disclosures, the company is controlled through nominees, by the Scottish Fishermen's Federation which owns 100% of the issued share capital