

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 December 2017
for
SFF Services Limited**

SATURDAY



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COMPANIES HOUSE

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for the Year Ended 31 December 2017**

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SFF Services Limited
Company Information
for the Year Ended 31 December 2017

DIRECTORS:

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

SECRETARY:

D Duthie

REGISTERED OFFICE:

24 Rubislaw Terrace
Aberdeen
AB10 1XE

REGISTERED NUMBER:

SC098563 (Scotland)

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 2017**

The directors present their strategic report for the year ended 31 December 2017.

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.

5,227 vessel days at sea were supplied in 2017, involving 113 different vessels across 36 separate client projects. 212 vessel inspections were undertaken in the marine assurance process. Guard duty made up 4,958 of the vessel days in 2017 with 269 days split between support and other work. In the same period, 15 personnel were engaged on offshore work across 35 separate client projects, representing 1,132 days at sea in total.

Oil and gas operational activity accounted for just over 50% of the Company's guard vessel days, while oil and gas decommissioning, subsea cables and offshore renewables related work made up the balance.

The Company manages various industry projects, including the Independent On-board Observer Scheme (IOOS) to collect important data for the management of Scottish fisheries and the Gear Innovation and Technology Advisory Group (GITAG) to trial innovative gears for selectivity. These projects are supported by funding from by the Scottish Government and the European Maritime and Fisheries Fund. The sixth phase of IOOS and second phase of GITAG ran during 2017.

**Strategic Report
for the Year Ended 31 December 2017**

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, training & competence, and health & 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

2017 turnover was £12.8m (2016, £12.9m) and gross profit margin reduced slightly. Admin expenses, after deduction of IOOS/GITAG project costs, were static at £907k. Other income of £686k included IOOS/GITAG project grant receipts of £666k. After inclusion of profit on the sale of investments, dividends received on investments, interest income and the revaluation of investments, profit before tax stood at £753k (2016, £874k). Tax on profit was £142k leaving profit for the year of £611k.

After payment of a dividend of £420k to SFF, shareholder's funds increased to £7.3m, ensuring sufficient working capital and available resources for potential investment.

GOVERNANCE

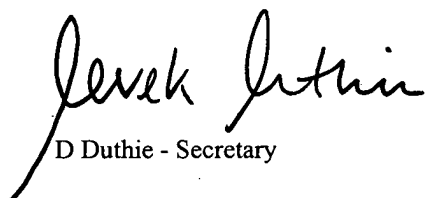
The Board meets quarterly and the management committee also meets regularly in between Directors' meetings, providing guidance to the Company's management on ongoing business development, financial and operational issues. The Board undertook a review of strategy during the year and this resulted in the engagement of outside business consultancy to consider trends and opportunities and help Directors to determine where to focus resources and effort in future to maintain a profitable business aligned to the aims and objectives of its parent body.

FUTURE VISION

2017 again defied activity expectations with the Company's ability to offer services to a range of marine industries helping to offset the reduced oil and gas exploration and development activity in the UK Continental Shelf. There are some encouraging signs of increased new field activity from operators as the oil price improves.

SFF Services' flexible business model, large pool of available vessels and personnel, experience in delivering high-quality, cost-effective service, sound financial position and mature management systems all provide reassurance to Clients. However, there is no room for complacency and the Directors are committed to ongoing review and to considering possible new business opportunities.

ON BEHALF OF THE BOARD:



D Duthie - Secretary

25 July 2018

**Report of the Directors
for the Year Ended 31 December 2017**

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

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 2017 will be £420,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

S Alexander
C A Armstrong
S C Collins
R R Dougal
D Duthie
I Gatt
B N Isbister
A M Kenning
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:

T Finn - resigned 5 December 2017
K I MacNab - resigned 5 December 2017
J Watt - resigned 27 July 2017

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 £88,321 of which £50,000 was paid to the Scottish Fishermen's Trust, registered charity SC029712. Total contributions also included a payment of £25,000 to Fisheries Innovation Scotland, registered charity SC045119, and also £10,000 to The Sailors' Orphans Society of Scotland, registered charity SC000242.

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.

**Report of the Directors
for the Year Ended 31 December 2017**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

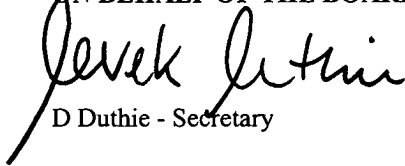
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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:

A handwritten signature in black ink, appearing to read 'D Duthie', is written over the printed name.

D Duthie - Secretary

25 July 2018

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

Opinion

We have audited the financial statements of SFF Services Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

It is also our opinion that the Report of the Directors has been prepared in accordance with applicable legal requirements.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

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

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

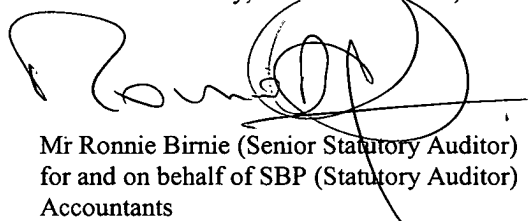
Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



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

25 July 2018

**Statement of Comprehensive Income
for the Year Ended 31 December 2017**

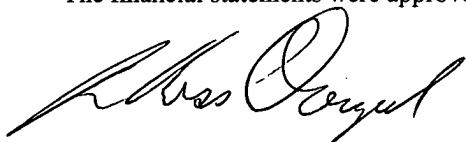
	Notes	31.12.17 £	£	31.12.16 £	£
TURNOVER	3		12,798,631		12,889,916
Cost of sales			11,265,113		11,249,729
GROSS PROFIT			1,533,518		1,640,187
Administrative expenses			1,574,077		1,485,535
			(40,559)		154,652
Other operating income			685,898		577,920
OPERATING PROFIT	5		645,339		732,572
Profit/loss on sale of current asset investments	6		78,281		95,173
			723,620		827,745
Income from fixed asset investments		14,731		9,854	
Interest receivable and similar income		34,725		36,515	
			49,456		46,369
			773,076		874,114
Revaluation of assets and investments	7		20,081		(231,900)
PROFIT BEFORE TAXATION			752,995		1,106,014
Tax on profit	8		142,062		168,007
PROFIT FOR THE FINANCIAL YEAR			610,933		938,007
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			610,933		938,007

The notes form part of these financial statements

Balance Sheet
31 December 2017

	Notes	31.12.17 £	£	31.12.16 £	£
FIXED ASSETS					
Tangible assets	10		894,250		930,303
Investment property	11		820,000		820,000
			<u>1,714,250</u>		<u>1,750,303</u>
CURRENT ASSETS					
Debtors	12	2,085,697		2,250,376	
Investments	13	722,004		683,912	
Cash at bank and in hand		4,539,024		4,102,023	
		<u>7,346,725</u>		<u>7,036,311</u>	
CREDITORS					
Amounts falling due within one year	14	1,770,307		1,676,648	
NET CURRENT ASSETS			<u>5,576,418</u>		<u>5,359,663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,290,668</u>		<u>7,109,966</u>
PROVISIONS FOR LIABILITIES	16		3,196		13,427
NET ASSETS			<u>7,287,472</u>		<u>7,096,539</u>
CAPITAL AND RESERVES					
Called up share capital	17		2		2
Retained earnings	18		7,287,470		7,096,537
SHAREHOLDERS' FUNDS			<u>7,287,472</u>		<u>7,096,539</u>

The financial statements were approved by the Board of Directors on 25 July 2018 and were signed on its behalf by:



R R Dougal - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	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	<u>2</u>	<u>7,096,537</u>	<u>7,096,539</u>
Changes in equity			
Dividends	-	(420,000)	(420,000)
Total comprehensive income	-	610,933	610,933
Balance at 31 December 2017	<u>2</u>	<u>7,287,470</u>	<u>7,287,472</u>

The notes form part of these financial statements

Cash Flow Statement
for the Year Ended 31 December 2017

	Notes	31.12.17 £	31.12.16 £
Cash flows from operating activities			
Cash generated from operations	1	933,186	376,707
Cash payments - investment purchases		(278,807)	(453,204)
Cash receipts - investment sales		299,037	446,475
Tax paid		(150,104)	(241,475)
Net cash from operating activities		<u>803,312</u>	<u>128,503</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(16,709)	(5,517)
Sale of tangible fixed assets		942	-
Interest received		34,725	36,515
Dividends received		14,731	9,854
Net cash from investing activities		<u>33,689</u>	<u>40,852</u>
Cash flows from financing activities			
Equity dividends paid		(400,000)	(500,000)
Net cash from financing activities		<u>(400,000)</u>	<u>(500,000)</u>
Increase/(decrease) in cash and cash equivalents		<u>437,001</u>	<u>(330,645)</u>
Cash and cash equivalents at beginning of year	2	<u>4,102,023</u>	<u>4,432,668</u>
Cash and cash equivalents at end of year	2	<u><u>4,539,024</u></u>	<u><u>4,102,023</u></u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2017

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

	31.12.17	31.12.16
	£	£
Profit before taxation	752,995	1,106,014
Depreciation charges	51,562	48,553
Loss on disposal of fixed assets	259	-
Gain on disposal of shares	(78,281)	(95,173)
Revaluation of fixed and other assets	20,081	(231,900)
Finance income	(49,456)	(46,369)
	<u>697,160</u>	<u>781,125</u>
Decrease/(increase) in trade and other debtors	164,679	(470,522)
Increase in trade and other creditors	<u>71,347</u>	<u>66,104</u>
Cash generated from operations	<u><u>933,186</u></u>	<u><u>376,707</u></u>

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 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u><u>4,539,024</u></u>	<u><u>4,102,023</u></u>

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u><u>4,102,023</u></u>	<u><u>4,432,668</u></u>

**Notes to the Financial Statements
for the Year Ended 31 December 2017**

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.

The financial statements have been prepared in UK (£) sterling, rounded to the nearest whole pound.

Significant judgements and estimates

Preparation of the financial statements requires the directors to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Property valuation: The directors assessed and considered the current valuation of freehold property and investment property to determine if any adjustments were required to the respective carrying values.

Other fixed asset carrying values: The directors assessed the carrying values of fixed assets to determine if any impairments were required.

Prepayments and accruals: The directors have applied a degree of judgement in relation to the calculation of certain expense accruals and prepayments. The degree of uncertainty in relation to such adjustments is not considered material to the presentation of a true and fair view of the overall financial position of the company's affairs as at 31 December 2017.

Going concern

The directors are of the opinion that the company has adequate working capital to execute its operations over the next 12 months and as such have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover as declared in the Statement of Comprehensive Income represents amounts receivable in the normal course of business for the core services provided of fishing vessel guardship and liaison contracts, stated net of discounts and VAT. It also includes rental income received from investment properties. All such 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 also a project on behalf of the 'Gear Innovation and Technology Advisory Group' (GITAG). These projects are fully funded by the Scottish Government and European Maritime and Fisheries Fund under grant awards and the grant income received is declared as part of the company's 'Other operating Income'. In previous years such income was not declared through the 'Statement of Comprehensive Income' on the basis that it was matched by expenditure incurred for the respective projects with no commercial profit being sought in respect of the project management services provided. Following reference to accounting guidance, the accounting treatment has been changed with effect from 1st January 2017 and the funding income is now declared through the 'Statement of Comprehensive Income' with the related matching expenditure also declared as part of the administrative costs. All such income is recognised when the expenditure, which is subject to the funding claim, has been incurred and when the reimbursement of such costs can be established with a sufficient degree of certainty and reliability.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

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

Fixtures and fittings	- 10% on cost
Computer equipment	- 25% on cost

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

Depreciation on Freehold property is charged at 2% on fair value.

The freehold property was revalued in the 2016 financial year and the directors consider the carrying value on an annual basis to ensure that no impairment adjustments are required. Further professional revaluations will be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value as determined from market based evidence.

Other tangible fixed assets are included at cost less depreciation and impairment and the residual values are reassessed at the end of each accounting period.

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.

The directors consider and review the fair value on an annual basis in relation to knowledge of market conditions and specific events or circumstances which may result in the impairment of value of the property held.

Financial instruments

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative costs.

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.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

2. ACCOUNTING POLICIES - continued

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

The share investment portfolio is stated at current market value with revaluation gains and losses declared through the Income Statement. The revaluation loss for the year under report was £20,081 (2016: Gain of £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.

Operating leases and contract hire contracts

Rentals payable under operating leases and contract hire contracts are charged in the Statement of Comprehensive Income on a straight line basis over the term of the agreement.

3. TURNOVER

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

	31.12.17	31.12.16
	£	£
Income from core services	12,752,173	12,809,178
Rental income from investment property	46,458	80,738
	<u>12,798,631</u>	<u>12,889,916</u>

Income generated through operations in the Norwegian Sector of the North Sea during the year under report was NOK 1,139,084 (sterling equivalent £107,071). There was no income generated through the Norwegian Sector of the North Sea in the previous financial year.

In addition to its commercial operations, the company manages the 'Independent On-board Observer Scheme' (IOOS) and also a project on behalf of the 'Gear Innovation and Technology Advisory Group' (GITAG). These projects are fully funded by the Scottish Government and European Maritime and Fisheries Fund under grant awards. As a result of a change in accounting treatment applied by the company, the funding income received is now reported as part of the company's 'Operating Income'. In previous years the income was not reported through The Statement of Comprehensive Income on the basis that it was matched by expenditure incurred for the respective projects with no commercial profit (or loss) being generated. The funding income declared for 2017 totals £666,398 with expenditure reported as part of administrative costs of £666,799. The comparative figures for 2016 have been amended within these financial statements and the relative figures for the previous financial year are: funding income of £577,255 with related expenditure of £577,688.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

4. EMPLOYEES AND DIRECTORS

	31.12.17	31.12.16
	£	£
Wages and salaries	272,320	259,742
Social security costs	27,758	28,397
Other pension costs	13,064	15,546
	<u>313,142</u>	<u>303,685</u>

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

	31.12.17	31.12.16
Management	3	4
Administration	4	3
	<u>7</u>	<u>7</u>

In addition to its commercial operations, the company manages the 'Independent On-board Observer Scheme' (IOOS) and also a project on behalf of the 'Gear Innovation and Technology Advisory Group' (GITAG). 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 2017 was 8.

	31.12.17	31.12.16
	£	£
Directors' remuneration	<u>116,742</u>	<u>126,927</u>

In addition to the declared remuneration, the company made pension contributions totalling £7,104 (2016: £7,773) to a defined contribution scheme on behalf of two of the directors. One of the directors concerned, Mr J.Watt, resigned on 27th July 2017.

The company made pension contributions totalling £5,960 (2016: £7,773) to a defined contribution scheme on behalf of employees other than the two directors.

There were no material sums in respect of accrued benefits or holiday entitlements for any employees that required to be provided for as at 31st December 2017.

5. OPERATING PROFIT

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

	31.12.17	31.12.16
	£	£
Depreciation - owned assets	51,561	48,553
Loss on disposal of fixed assets	259	-
Auditors' remuneration	9,100	8,900
Foreign exchange differences	86	(969)
Donations	68,321	102,770
Project funding (GITAG)	(233,233)	(115,418)
Project funding (IOOS)	(433,165)	(461,837)
Project costs (GITAG)	233,213	115,419
Project costs (IOOS)	<u>433,566</u>	<u>462,269</u>

The 2017 charge for donations is stated net of an accrual of £20,000 released back to the Profit & Loss Account in respect of a donation previously provided for but not ultimately made.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

6. **EXCEPTIONAL ITEMS**

	31.12.17 £	31.12.16 £
Interest on taxes	47	-
Profit/loss on sale of current asset investments	78,281	95,173
	<u>78,328</u>	<u>95,173</u>

7. **REVALUATION OF ASSETS AND INVESTMENTS**

	31.12.17 £	31.12.16 £
Revaluation of fixed assets	-	(325,307)
Revaluation of fixed asset investments	-	168,492
	<u>-</u>	<u>(156,815)</u>

The freehold property and the property held as fixed asset investments were professionally revalued during the 2017 calendar year and restated at fair value in the 2016 financial statements. The directors reviewed and considered the carrying values in relation to the 2017 financial statements and were of the view that no revaluation adjustments were necessary and that there was no evidence or events arising which would have resulted in an impairment of the values.

Current asset investments were revalued and stated at market value in the Balance Sheet as reported in Note 13.

8. **TAXATION**

Analysis of the tax charge

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

	31.12.17 £	31.12.16 £
Current tax:		
UK corporation tax	152,293	154,580
Deferred tax	(10,231)	13,427
Tax on profit	<u>142,062</u>	<u>168,007</u>

UK corporation tax has been charged at 19.25% (2016 - 20%).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. 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:

	31.12.17 £	31.12.16 £
Profit before tax	<u>752,995</u>	<u>1,106,014</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	144,952	221,203
Effects of:		
Expenses not deductible for tax purposes	4,114	7,115
Income not taxable for tax purposes	(2,836)	(1,971)
Depreciation in excess of capital allowances	6,433	8,257
Utilisation of tax losses	-	(13,644)
Adjustments to tax charge in respect of previous periods	(4,476)	-
Expenditure charged against previously disallowed provision	-	(20,000)
Gain on revaluation of assets & investments not taxable	-	(46,380)
Loss on revaluation of assets & investments not allowable	3,866	-
Provisions for future expenditure	3,350	-
Net taxable gains on disposal of investment assets	11,909	-
Net accounts gain/loss on disposal of assets	(15,019)	-
Provision for deferred tax	<u>(10,231)</u>	<u>13,427</u>
Total tax charge	<u>142,062</u>	<u>168,007</u>

There was no liability to Norwegian Taxation in 2017 or 2016. Taxable profits of NOK 30,332 were declared and set off against brought forward losses of NOK 2,022,022 leaving losses of NOK 1,991,690 to be carried forward to future years.

Due to a reduction in the UK rate of Corporation Tax on 1st April 2017 from 20% to 19%, the average rate applied to the taxable profits for the financial year was 19.25%. The rate used for the calculation of the deferred tax provision was based on the expected rate going forward of 19.00%.

9. DIVIDENDS

	31.12.17 £	31.12.16 £
Final	<u>420,000</u>	<u>400,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

10. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
COST OR VALUATION				
At 1 January 2017	1,013,548	107,632	146,074	1,267,254
Additions	-	753	15,956	16,709
Disposals	-	-	(1,815)	(1,815)
At 31 December 2017	1,013,548	108,385	160,215	1,282,148
DEPRECIATION				
At 1 January 2017	163,548	74,264	99,139	336,951
Charge for year	17,000	7,473	27,088	51,561
Eliminated on disposal	-	-	(614)	(614)
At 31 December 2017	180,548	81,737	125,613	387,898
NET BOOK VALUE				
At 31 December 2017	833,000	26,648	34,602	894,250
At 31 December 2016	850,000	33,368	46,935	930,303

The freehold property held was revalued upwards by £325,307 in the 2016 financial year to a carrying value of £850,000 as at 31st December 2016 following a professional valuation carried out on an open market basis on 7th April 2017 by FG Burnett Property Consultants. Having considered the position, the directors are of the view that there have been no significant changes in the property market place since that time and that no events have occurred which would give rise to any material impairment in the value of the property. The property has been stated in the Balance Sheet at 31st December 2017 at fair value at date of revaluation less the appropriate depreciation charge for the year. Had the property not been revalued in 2016 it would have been declared at a historical cost of 688,241 less accumulated depreciation of £177,313 giving a net book value of £510,928.

11. INVESTMENT PROPERTY

The investment property was revalued in the 2016 financial year to a carrying value of £820,000 against an original cost of £1,051,266. A professional valuation was carried out on an open market basis on 31st March 2017 by FG Burnett Property Consultants. Having considered the position, the directors are of the view that there have been no significant changes in the property market place since that time and that no events have occurred which would give rise to any material impairment in the value of the properties concerned and as such the overall carrying value of the properties has remained unchanged.

	£
Original cost	1,051,266
Accumulated depreciation to 31 December 2015	-62,774
Revaluation adjustment year ended 31 December 2016	-168,492
Revaluation adjustment year ended 31 December 2017	0
Net book value at 31 December 2017	820,000

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade debtors	1,330,627	1,705,845
Amounts recoverable on contract	243,385	135,756
Other debtors	452,994	308,026
Investment Deposit account	43,632	13,173
Investment Income account	235	108
VAT	-	78,179
Prepayments	14,824	9,289
	<u>2,085,697</u>	<u>2,250,376</u>

The balance of 'Other debtors' includes the sum of £219,518 (2016: £235,699), being costs incurred in respect of the management of the Independent On-board Observer Scheme (IOOS) and also balances totalling £205,863 (2016: £49,066) in respect of a project managed on behalf of the Gear Innovation and Technology Advisory Group (GITAG). The costs incurred are reimbursed through the Scottish Government and European Maritime and Fisheries Fund.

13. CURRENT ASSET INVESTMENTS

Current asset investments are stated at market value. The cost of the investments declared as at 31 December 2017 was £667,000 (2016 - £608,827). The investment portfolio is professionally managed and valued by investment managers, 'Rathbones'. The loss in value of the portfolio in the current year against the previous carrying value was £20,081.

	£
Market value of portfolio as at 1 January 2017	683,912
Additions at cost	278,928
Disposals at cost	-220,755
Revaluation adjustment 2017	<u>-20,081</u>
Market value of portfolio as at 31 December 2017	<u>722,004</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade creditors	260,201	242,395
Tax	156,748	154,580
VAT	42,952	-
Proposed dividends	420,000	400,000
Other creditors	470,254	494,313
Due to SFF	420,152	385,360
	<u>1,770,307</u>	<u>1,676,648</u>

The balance of £420,152 due to the Scottish Fisherman's Federation is a fluid working balance between the two organisations. Whilst there are no fixed terms of repayment the balance is repayable on demand. No interest is accrued.

15. SECURED DEBTS

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

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

16. PROVISIONS FOR LIABILITIES

	31.12.17	31.12.16
	£	£
Deferred tax	<u>3,196</u>	<u>13,427</u>
		Deferred tax
		£
Balance at 1 January 2017		13,427
Credit to Statement of Comprehensive Income during year		(10,231)
Balance at 31 December 2017		<u>3,196</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.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.17	31.12.16
			£	£
2	Ordinary	£1	<u>2</u>	<u>2</u>

18. RESERVES

	Retained earnings
	£
At 1 January 2017	7,096,537
Profit for the year	610,933
Dividends	(420,000)
At 31 December 2017	<u>7,287,470</u>

Of the balance of the retained reserves of £7,287,470, a total value of £211,819 is non distributable, being attributable to the revaluation of assets and investments. The net value of distributable reserves is £7,075,651 (2016: £6,864,637).

19. 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 £13,064 (2016: £15,546). There were no outstanding or prepaid contributions at the beginning or the end of the financial year.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

20. OTHER FINANCIAL COMMITMENTS

The value of rentals payable (net of recoverable VAT) under operating leases and contract hire contracts are as follows:

	2017	2016
	£	£
Amounts payable within the next 12 months	6,553	8,419
Amounts payable within 2 - 5 years	11,467	0
Amounts payable in more than 5 years	0	0

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 2017 amount to £107,500 (2016: £121,000). As at 31 December 2017, SFF Services Limited were due £420,152 (2016: £385,360) to the Scottish Fishermen's Federation which is included within the creditors figures per note 14. Whilst the balance outstanding is repayable on demand there are no fixed terms of repayment and no interest is accrued.

Dividends of £420,000 have been declared for the financial year (2016: £400,000).

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