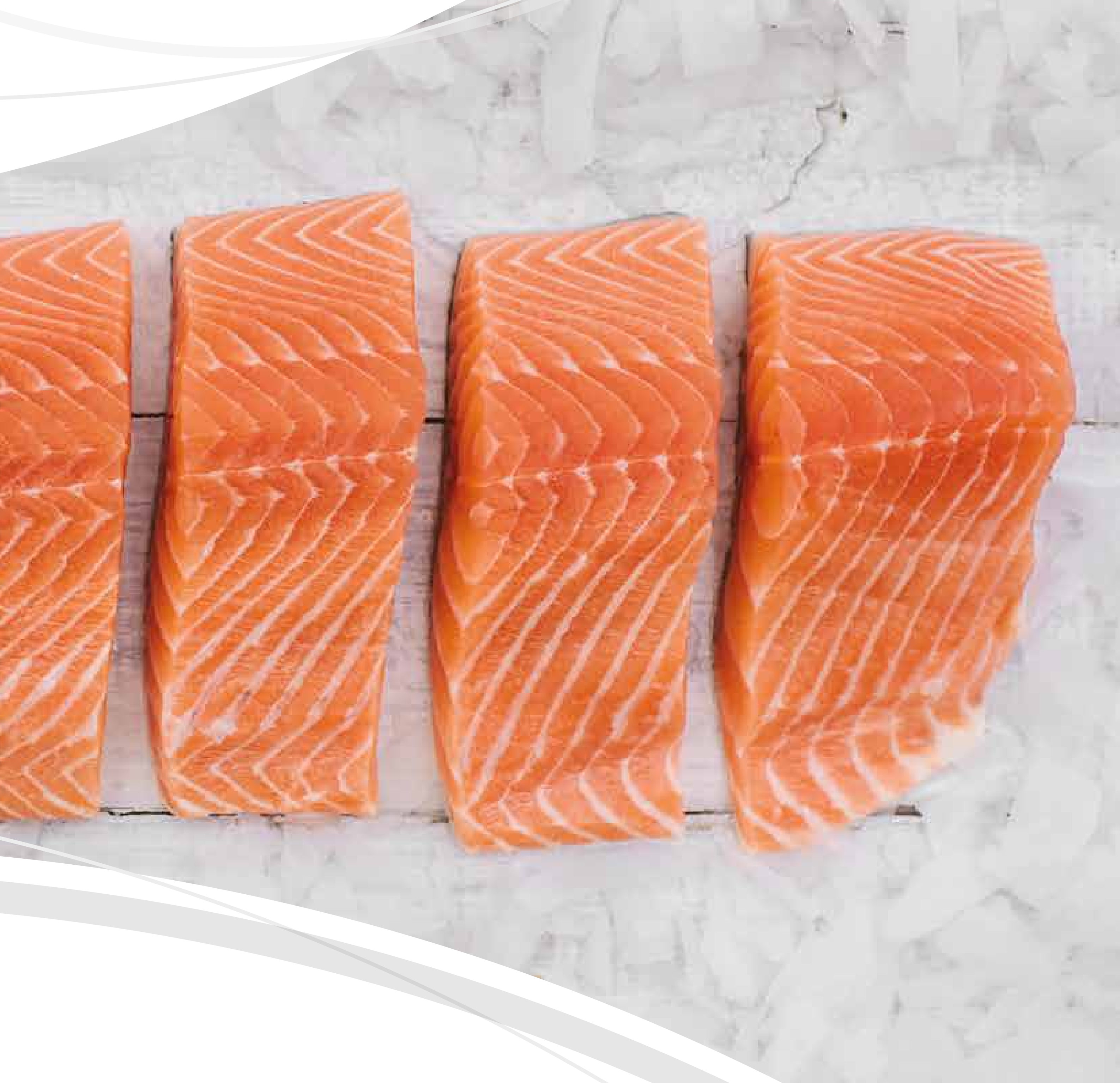
The Scottish Salmon Company

www.scottishsalmon.com



Producing **Scotland's finest** sea loch fresh salmon with **pride** and **passion**

Annual Report **2017**

The Scottish Salmon Company PLC (the Group) is committed to the production and sale of premium quality Scottish salmon along with complementary investments in other value added, premium, Scottish seafood products. It is listed on Oslo Børs, the Norwegian Stock Exchange.

The Group is the parent company to The Scottish Salmon Company Limited (the Company), through which it conducts all its salmon farming, processing, and sales and marketing activities.

The Company is registered and managed in Scotland, whilst the PLC is registered in Jersey.

Both Group and Company are dynamic and innovative organisations, committed to achieving sustainable growth in a thriving industry that has great importance to the Scottish economy and rural communities within Scotland.

Who we are
We are Scotland's leading salmon producer.

Premium salmon and Scottish provenance are core to our business, and set the Company and our branded products apart from competitors across the globe.

Where
We breed, farm and process our salmon in the Western Highlands and Islands of Scotland. We firmly believe that Scotland is THE best place in the world to rear salmon. Cold, clear, fresh waters and a nutrient-rich ecosystem provides the perfect natural environment for salmon.

What we do
We are an independent and fully integrated salmon farming business wholly operating in Scotland. Engaged in all stages of the supply chain, from freshwater through marine to harvesting and processing, and to sales and marketing activities, we ensure full traceability and total supply chain integrity.

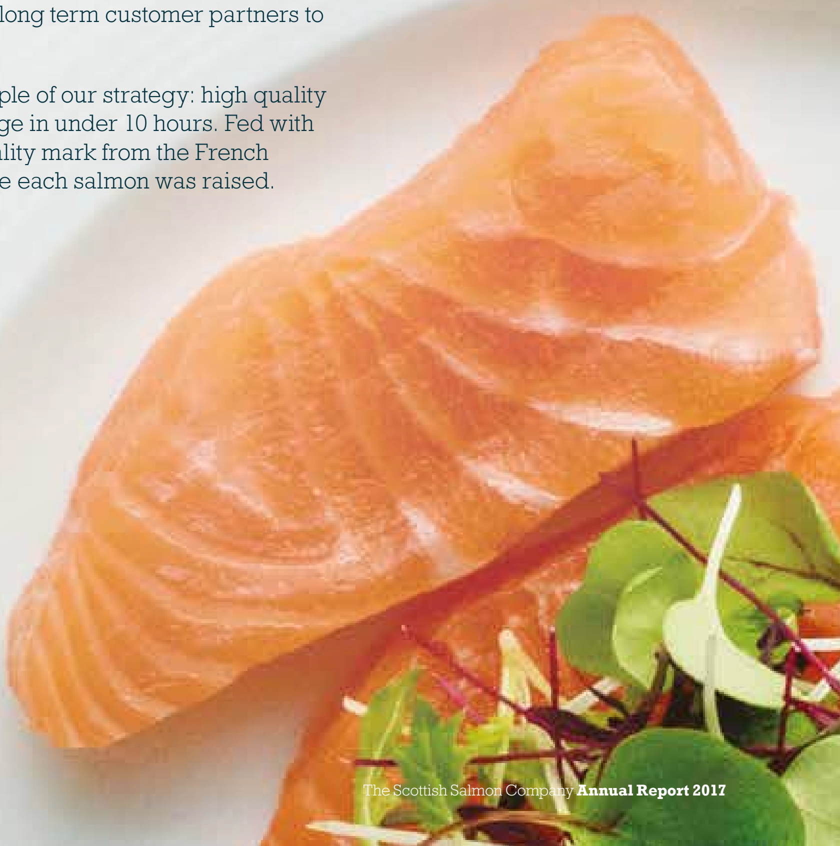
We have developed a flagship Label Rouge range and our uniquely developed broodstock programme, Native Hebridean Salmon, is an integral part of our strategy for business growth and our commitment to Scottish provenance.

How we run our business
We have a worldwide reputation for outstanding quality and absolute assurance of Scottish Provenance. Our brands are strong, our supply chain is fully integrated and we guarantee 100 percent traceability throughout our processes.

We have a short distance to major markets in the UK and Europe and a long term customer base. We have a strategy to increase exports to overseas markets, particularly North America and Asia.

Our business strategy is based on Innovation, Sustainability and Collaboration:
- Innovation in order to increase efficiency, improve productivity and reduce costs
- Sustainability to support year round production and solve biological challenges
- Collaboration in industry projects and collaborations with long term customer partners to increase revenue

Our Label Rouge certified Scottish salmon is a perfect example of our strategy: high quality fish hatched and reared in Scotland and processed on average in under 10 hours. Fed with higher than average marine feed content and sold with a quality mark from the French Government. Every box delivered has a label showing where each salmon was raised.



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The annual report gives a short description of The Scottish Salmon Company PLC that satisfies the legal requirements of the annual report.
Additional information is available on our website www.scottishsalmon.je.

1 Key Figures

	2017 (£'000s)	2016 (£'000s)
Revenue	150,946	109,921
EBITDA before biomass fair value adjustment	38,669	8,939
EBITDA margin before biomass fair value adjustment	25.6%	8.1%
EBIT	30,770	11,934
Earnings before taxes	29,318	9,100
Earnings before taxes margin	19.4%	8.3%
Net Earnings for the year	24,135	8,911
Total assets	198,341	166,901
Net interest bearing debt (NIBD)	38,519	42,904
Equity	116,255	92,155
Equity %	58.6%	55.2%
Net cash inflow from operations	19,198	10,093
Cash and cash equivalents	8,500	3,013
EBIT per kg before fair value adjustment	1.21	0.03
Harvest Volumes (HOG Tonnes)	25,272	24,342

2 Dear Shareholders

We achieved record revenues in 2017, nearly 50% better than our previous record of £110m in 2016. Aquaculture is inherently a volatile business, but this year the net direction was dramatically positive. The hard work of our employees overcame continuing biological challenges to take full advantage of high prices in satisfying our customers' demand.

As Scotland's leading salmon producer, we are committed to producing the finest, quality assured and provenance guaranteed Scottish salmon. Our premium products and Scottish provenance set us apart from competitors on the global stage.

We remain fully committed to our long term strategy for sustainable growth which, through innovation, sustainability and collaboration, fosters responsible value creation for all of our stakeholders, the communities in which we operate, our employees and our shareholders.

Salmon is the UK's largest food export, with overseas sales of Scottish salmon growing exponentially in the year. The industry plays a vital role in Scotland's economy and its communities, directly supporting over 2,400 jobs and with a supply chain supporting over 10,000.

£390m was spent by the industry last year in the Scottish supply chain. At The Scottish Salmon Company, our local sourcing policy retains as much value in Scotland as possible: in 2017 alone we spent £98m with 135 Scottish suppliers.

We employ over 500 staff across 60 sites on the West Coast of Scotland and the Hebrides. As the largest private sector employer in the Western Isles we respect the major role salmon farming plays in remote and rural communities.

Our corporate responsibility framework is grounded in our values of Pride, Passion and Provenance. We take this responsibility very seriously and are committted to engaging with our local communities with a particular focus on promoting health and wellbeing.

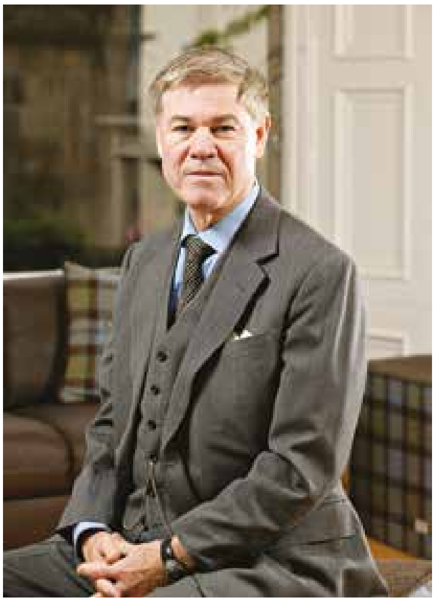
We firmly believe that Scotland is the best place in the world to rear salmon. Cold, clear waters provide the perfect environment for salmon and we take great pride in operating responsibly in these natural habitats.

Provenance underpins everything we do and is at the core of our export strategy. Global consumers are increasingly focussed on provenance, sustainability and traceablility. We continue to capitalise on these trends, building on the success of our flagship premium products and highlighting Scottish provenance as a key differentiator. We now export over half of production to key markets across the globe from North America to the Far East.

Our decision to focus on nurturing long term customer relationships has been key to developing the platform for sustainable growth.

Thank you to everyone who supported The Scottish Salmon Company in 2017.

Robert M Brown III
Chairman



Salmon is the UK's largest food export, with overseas sales of Scottish salmon growing exponentially in the year.

3 Group History

2017

- 2017 Three Highland & Island Food and Drink Awards: Innovation and New Product for Native Hebridean and Export of Label Rouge
- 2017 Developing operational platform and infrastructure efficiencies, new site licence at Portree with additional consent of 2,000T

2016

- 2016 £55m refinancing package providing an increased and more flexible funding package to support the Company's objective for growth, as well as accommodating the variability in working capital requirements
- 2016 New harvest station and wellboat commissioned allowing greater flexibility and efficiency in logistics and harvesting as well as improving speed to market

2015

- 2015 Additional licence consent on Benbecula amounting to 2,000T
- 2015 26.6m new shares issued following conversion of bond to equity

2014

- 2014 Redevelopment of Langass Hatchery and established Native Broodstock Selection Programme
- 2014 Additional consents on Lewis, Skye and Mull amounting to 2,400T
- 2014 Two new sites on Harris, stocked in 2015, totalling 4,200T additional licence consents

2013

- 2013 Langass Hatchery, North Uist assets purchased
- 2013 Additional licence consents secured for three sites, amounting to 5,669T

2012

- 2012 Investment into value added products through Scottish Seafood Investments Limited
- 2012 Additional licence consents secured for two sites amounting to 4,091T

2011

- 2011 The Scottish Salmon Company PLC listed on Oslo Børs

2010

- 2010 The Scottish Salmon Company Limited purchased West Minch Salmon Limited
- 2010 Corporate rebranding to form The Scottish Salmon Company PLC

2007

- 2007 Lighthouse Caledonia ASA divested from Marine Harvest and listed on Oslo Axess

4 Operational Review - The Scottish Salmon Company Limited

2017 has been a year of growth and positive developments as we drive forward our ambition to bring the finest Scottish salmon to the world.

However, the year was not without its challenges and we continue to work hard to address the biological situation being experienced industry wide.

We made good progress in delivering our long term strategy of sustainable growth. Careful planning, strategic investment and a focus on efficiency has strengthened our foundation, with some record highs in turnover due to increased harvest volumes and strong market prices. We secured our volume target for the year of 25,000 tonnes and anticipate 26,500 tonnes in 2018.

Our strategic priorities are clear across the business: sustainable growth, infrastructure and operational efficiency, innovative and effective bio initiatives and compelling marketing activity. A keen focus on enhanced fish health planning and investment has also improved our biosecurity.

Our programme of site development underpins our plans for growing year round harvest volumes and we have a number of applications in progress. This year we secured consent for an additional 2,000 tonnes at Portree on the Isle of Skye, doubling our capacity in the area. The site will be stocked in 2018 with first harvests expected in late 2019.

We focused on improving operational efficiency throughout the whole value chain partnering with external service providers, continuing standardisation of practices at site level and investment in infrastructure. These capital investments included a new filleting facility in the South that has improved product utilisation and driven maximum value from every fish we take out of the water.

Addressing biological challenges continues to be a priority for the business. Like any sector that works with livestock, there are naturally occurring issues to manage. We have taken a collaborative approach with industry partners to proactively develop sustainable and scalable solutions. A new hydrolicer has had a substantial impact while we have extended our cleaner fish programme and trialled freshwater treatments to good effect. A targeted feed regime has improved fish health and we strengthened our health management team who have further developed our already rigorous approach to health planning.

When it comes to marketing our finest sea loch fresh Scottish salmon, we have a powerful provenance story to tell. Building long term relationships remains the foundation of our sales and marketing strategy and we have strengthened partnerships with existing key customers in addition to securing new business in key markets across the globe.

Growing exports remains a priority and overseas sales now account for 50% of total revenue. Our provenance has been invaluable in targeting export markets and we have leveraged our Scottish origin and the continued consumer demand for quality Scottish produce. We have been strategic in our approach, identifying niche export market opportunities to secure premium prices.

Our Label Rouge and Native Hebridean Salmon remain our flagship export products and we have been developing these ranges to take advantage of the appetite for food and drink products with strong heritage and traceability. We have showcased their quality and flavour at international exhibitions including those in Europe, Japan and the USA.

In October, we were proud to receive three Highlands & Islands Food and Drink Awards for our export success and our Native Hebridean Salmon which won the Innovation category and was also named Best New Product.

The accolades rounded off a busy and successful year which would not have happened without the commitment and support of all those who play a role in the continued growth of The Scottish Salmon Company. From staff and suppliers to customers and our communities, it is only fitting I say thank you.

We remain firmly focused on our strategic priorities in the year ahead and optimistic about the opportunities for growth.

Craig Anderson
Chief Executive Officer
The Scottish Salmon Company Limited

5 Corporate Social Responsibility

Our Responsibility

Our Responsibility is at the heart of our strategy for developing a platform for sustainable, quality business growth and our approach to Corporate Social Responsibility. It encompasses our responsibility across all aspects of the business and is embedded in our core values of Pride, Passion and Provenance. The responsibility of our stock, people and environment are reflected in 'Pride in our Scottish salmon', the 'Passion of our People' and the gift of our 'Provenance and our Environment'.

Our developing Responsibility approach identifies opportunities unique to our business, engagement with stakeholders and proactively identify and mitigating risk throughout the supply chain. This goes beyond compliance and regulation and is about providing quality long term employment, being an integral part of local communities, creating economic benefit and ensuring our social investment has meaningful impact.

In this section the Company reports on the outcomes of its 2017 Corporate Social Responsibility Strategy, building on the Company's 2016 Annual Report and an overall materiality analysis, describing the course of action the Company is developing in its approach going forward.

What sustainability means for The Scottish Salmon Company

According to the Global Footprint Network, we are currently consuming 70 per cent more resources than the planet can renew every year. More sustainable ways must be found to meet customer needs and the long term future requirements of the wider population. Responsibly farmed seafood not only creates economic growth, but is also an important element in providing a growing population with healthy and nutritious food contributing to global food security.

This can be readily translated to a local level where the Scottish Government's policy for creating a healthier wealthier nation links with increased focus on locally produced nutritious food. Further afield exports remain an important focus for the UK and Scottish salmon as the UK's largest food export, plays an integral role in the growth of the food and drink sector.

The Scottish Salmon Company is committed to responsible stewardship of the unique natural environment in which we operate. We pursue global best practice and conduct our operations in accordance with the industry's Code of Good Practice and Community Engagement Charter. Our Community Charter brings our values of Pride, Passion and Provenance to life, and details our commitment to working closely with our people, suppliers and the communities. Recognising the importance of provenance to our business, we strive to create value and retain this locally in Scotland while having a clear balance of commercial farming, long term ecological sustainability and business growth.

Highlights from the year

- Introduced the Community Charter and Community Fund as part of our community engagement programme to increase transparency and encourage staff engagement in local communities
- Awarded Friends of the Sea certification, highlighting the Company's commitment to water quality, sustainability and social responsibility
- Adopted and implemented Ethical Trade Policy, Modern Anti-Slavery Policy, and supplier audit

Priorities going forward

To further develop our approach and accountability, we will consider ways of strengthening our reporting. Pursuing global best practice, we will evaluate established frameworks, such as working towards the United Nations' Sustainable Development Goals. In addition, we will conduct a thorough review of our materiality analysis, including input from external stakeholders.

Pride in Scottish Salmon

We take pride in producing the finest quality Scottish salmon and are committed to Scottish provenance. It underpins all that we do and sets the Company and its branded products apart from competitors across the globe. Protecting and promoting the Company's origin is the keystone in our business strategy.

Commitment to quality, food safety and traceability

The Scottish larder is synonymous with quality worldwide and Scottish provenance is a mark of quality and a key differentiator. Transparency, traceability and supply chain integrity are key global consumer trends and we recognise this opportunity to further leverage our provenance and PGI status to support our core strategy of sustainable business growth.

All our operations are in Scotland and we are engaged in all stages of the supply chain from freshwater through marine to harvesting and processing and on to sales and marketing activity, thereby ensuring full traceability and total supply chain integrity.

Our efforts and results

The Scottish Salmon Company holds national and international accreditations including BRC Global Standard for food safety, processing and supply chain management. We have a robust Food Safety and Quality Policy ensuring that product safety is controlled and maintained, in compliance with food hygiene legislation, as well as UK and EU legislation.

Label Rouge, an accreditation established by the French Ministry of Agriculture, certifies superior taste and recognises food products which meet strict criteria with regards to quality, husbandry, feed and traceability. This mark of quality has been pivotal in further penetrating the premium French market, as well as targeting other markets and is an increasingly significant proportion of our business. Innovative retail ready fillets were introduced last year to high acclaim and this range will be further developed in 2018, along with introducing pre rigor filleting at our processing plant in the South.

We are proud of our developments with our unique strain of Native Hebridean Salmon. Raised exclusively in the Hebrides, our innovative broodstock programme is an integral part of our strategy for sustainable business growth and our commitment to Scottish provenance. We are investing further in our Langass Hatchery and the family selection unit which will be opening in spring 2018. Native Hebridean Salmon was first introduced to the international market in 2016 and since then has been awarded the New Product and Innovation Awards at the Highlands & Island Food and Drink Awards 2017.

Future priorities

Expanding exports and brand development are core priorities in developing a platform for sustainable business growth and a balanced portfolio of both customers and products, capitalising on the global consumer trends for provenance, sustainability and food authenticity with 'Provenance Guaranteed'.

Passion of our People

Our people are at the heart of our business. Their passion, dedication and expertise are essential ingredients in producing the finest quality Scottish salmon.

Working conditions, talent attraction and retention, diversity

We employ around 500 people across 60 sites on West coast of Scotland and the Hebridean Islands, 92% of our staff reside in rural Scotland in the areas in which we raise and process Scottish Salmon. As a major employer in these remote and rural areas, we strive to provide quality employment and retain staff long term. We believe that by investing in our employees, we achieve a more skilled, loyal and efficient workforce, this is borne out by the number of long service awards we present to staff each year.

Our passion drives a culture of continuous innovation and we are committed to personal and team improvement through honest, respectful and fair working relationships. We provide equal opportunities and a working environment free from discrimination and harassment. All employees are offered fair compensation, with remuneration above the minimum wage and a pension contribution exceeding minimum requirements.

Our efforts and results

During 2017 we recruited 163 new employees and by the end of the year we had 510 employees working across the Company. The Group adheres to equal opportunities regulations for the workplace and supports the value of a diverse workforce. The Company's comprehensive employee benefits package was reviewed in 2016 with the introduction of a more competitive pension scheme, which was rolled out in 2017.

Launched in 2015, our pioneering professional development programme was created to meet our current skills requirements, develop career paths, futureproof the business and support employees to realise their potential. Our bespoke Aquaculture Competency Framework was initially introduced for marine and freshwater staff and is now being further developed across the Company. The Management Development Programme has now run for 2 years and the Company has provided a total of 9,862 hours over 42 courses.

We work collaboratively with national groups, including Lantra (a skills sector council for Land Based and Environmental Industries) and regional groups including the DYW (Developing Young Workforce) as well as colleges and schools in programmes to inspire young people with the diverse career opportunities available in the sector. In addition, we have forged strong links with local schools and colleges, regularly attending career fairs and visiting schools. We enrolled 12 Modern Apprentices in 2017 and have started a new partnership with North Atlantic Fisheries College to deliver Modern Apprentices in Aquaculture.

Future priorities

Going forward we will continue our efforts to maintain our competitive edge by attracting, recruiting and developing talent, engaging and retaining employees, and further developing our skills and competency framework across the business.

5 Corporate Social Responsibility

Employee health and safety

Health and safety is a priority, providing a safe working environment for everyone and ensuring we adopt a culture of continuous improvement and best practice. We work proactively with industry bodies such as the Health & Safety Executive and the Maritime and Coastguard Agency. We work systematically to mitigate risk, respond to incidents and actively encourage open and honest reporting of all accidents, no matter how minor. We monitor and measure our progress related to safety using leading and lagging key industry indicators, such as audit and inspections, employee feedback forums, near miss incidents, accidents and RIDDOR, to ensure continuous improvement and the health and safety of our staff.

Our efforts and results

The Company installed defibrillators across all of its sites in 2017 together with a significant investment in the training programme provided across all sites. Around 100 team members are trained to use the equipment in the event of a life threatening situation, this is vitally important in the remote areas in which we operate.

We have robust health and safety procedures and all employees are provided with training and guidance to ensure that they are familiar with relevant procedures. Comprehensive risk assessment is carried out regularly and the Company has reviewed and developed an extensive incident management and business recovery procedure, which is tested and reviewed on a regular basis.

The average sickness absence rate in 2017 was 4.27 percent, compared to 3.9 percent in 2016. A total of 56 accidents were reported for the year, compared to 59 in 2016. There were a total of 357.5 days lost as a result of these 56 accidents. Reported RIDDOR came to 13 for 2017, an increase of one from 12 RIDDORs reported in 2016.

Future priorities

Health and safety continues to be a key priority and through our proactive approach our focus is on: awareness, risk assessment, procedures and training. We will be further developing an internal communications and engagement programme and increasing our collaboration with peers in the sector.

Ethical business conduct

The Company's policy is to conduct all business in an honest and ethical manner. We take a zero tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity. We have implemented and enforce, efficient systems and controls to safeguard against bribery, corruption and any form of modern slavery taking place within our own business or by our suppliers. This also forms part of the new employee induction programme along with an introduction to our Code of Conduct, Conflict of Interest Policy, Anti Bribery Policy and Modern Slavery Policy. In addition, the Company is a member of SEDEX, the world's largest collaborative platform for sharing responsible sourced data on supply chains which enables our stakeholders to make informed business decisions and drives continuous improvement across all of our value chains.

Our efforts and results

The Modern Anti-Slavery Policy was adopted in 2017 as part of broader UK legislation. This ensures an increased level of understanding into the risks of modern slavery and human trafficking throughout the supply chain. We ensure that all suppliers comply with our ethics code by undertaking a self audit, which includes labour related issues such as: pay, working hours, child labour, health and safety and environmental issues.

Future priorities

The Scottish Salmon Company will continue to raise awareness of bribery, corruption and modern slavery and of the expectations we have of our employees and business partners in this regard.

Local communities

We farm in some of the most isolated and inaccessible Scottish coastal regions. We respect the major role that salmon farming plays in the remote and rural areas in which we operate and are committed to being an integral part of our communities.

We seek to ensure open and transparent communication with the industry, stakeholder groups and communities. Our Community Charter details our commitment to our people, suppliers and communities.

Our efforts and results

In 2017, we sourced over £98m worth of supplies over 135 Scottish suppliers. We have supported ship building in Arran and Bute, engineering on Lewis and diving and transport contractors throughout Scotland. We source everyday consumables, from safety equipment to multimillion pound industrial equipment, rib boats and feed barges through Scottish companies.

We are committed to playing an active role in our local communities with a focus on health and wellbeing. As part of our community engagement programme and to ensure our social investment has meaningful impact, we introduced a Community Fund to encourage staff to nominate community causes. In 2017, 27 projects were awarded with up to £250 each. We have supported a diverse range of community projects including: health and wellbeing sessions focussing on seafood for local groups, environmental projects on waste disposal, primary school boat naming competitions and primary school Christmas show creations.

5 Corporate Social Responsibility

Key parts of our community engagement calendar include supporting local traditional, cultural and sporting events, which are key gathering places and have been a highlight of the rural calendar for centuries. We are the title sponsor of the Cowal Highland Gathering in Argyll and also support the Lochcarron Highland Games, Isle of Skye Half Marathon and the Western Isles Island Games Association (an international Commonwealth-style event specifically for small islands where competitive sports have the additional challenge due to remote locations, few young athletes, distance and related costs). A large number of community groups and initiatives have also benefited from sponsorship in kind through donations of product and staff support.

Future priorities

We appreciate the unique and fragile topography and culture in the areas in which we farm our Scottish salmon. The richness of this natural heritage provides the core of our provenance and is intrinsic in our international sales and brand development. We remain committed to being a responsible employer and conducting our business with integrity across the supply chain.

We will honour our commitment to transparency through publishing progress in community engagement in our Annual Report.

Provenance and our Environment

Our unique natural environment on the West Coast of Scotland and the Hebrides is the fabric weaved into the provenance of our Scottish salmon. The key ingredients in raising healthy, nutritious and great tasting, quality seafood are care, time and the environment.

Environmental stewardship

We are committed to operating in an environmentally sensitive manner. The natural environment in which we farm is central to ensuring a sustainable business and high quality Scottish product. Robust management procedures are integral to all our operations to ensure compliance with all relevant environmental legislation and driving continual improvement across the business. These procedures are maintained through our Environmental Management System (EMS) which has been implemented to meet the requirements of ISO 14001. The Company is also committed to complying with a number of applicable non legislative standards including GLOBALG.A.P., Code of Good Practice for Finfish Aquaculture, PGI (Protected Geographic Indication) and BRC (British Retail Consortium).

Our efforts and results

We are committed to our Environmental Policy, which defines our commitment to responsible use of resources and to minimising our environmental impact.

Our EMS is reviewed annually and presents a framework for setting environmental objectives. Our EMS is communicated to staff and relevant third party suppliers and everyone is encouraged to contribute towards the goals and is routinely maintained and updated. Our key environmental objectives are to promote: energy saving; responsible use of resources; waste reduction and recycling.

In 2017 we were awarded Friends of the Sea certification. Endorsement from this independent sustainability certification body is widely recognised across international markets with stringent environmental, economic and social responsibility control. The certification recognises the Company for its commitment to areas such as water quality and social responsibility in the communities in which it operates.

Future priorities

We will continue to pursue our efforts to minimise impact on the environment, in compliance with any environmental legislation and obligations related to our operations. We currently benchmark and will define targets going forward and have created a separate Sustainability Department to ensure a stronger focus to this area.

Commitment to fish health and welfare

Fish health and welfare is integral to our commitment to operating in an environmentally responsible manner and is essential for the commercial health of our business. The careful selection and position of optimal sites for farms, combined with excellent husbandry and health management practices are of fundamental importance in creating and maintaining health growth of high quality Scottish salmon.

Our efforts and results

When working in the natural environment there can be a number of biological and environmental challenges, such as global warming, mortalities, escapes and sea lice, which are endemic in the wild. We take the health and welfare of our stock very seriously and adopt a best practice approach to animal husbandry. We adhere to the independently audited Code of Good Practice for Scottish Finfish Aquaculture, which covers all aspects of farm production. All mortalities, escapes and sea lice counts are reported in compliance with the Code of Good Practice and Scottish Government regulations.

We invest in a number of sustainable and innovative measures across the business and continue to work closely with academic and industry partners to find sustainable, long term solutions to tackle industry wide challenges. Rigorous health monitoring by our team of biologists and specialist vets ensures early detection and rapid action on any issues.

5 Corporate Social Responsibility

We employ a stringent Integrated Sea Lice Management Plan (ISLM) and all our sites are operated in accordance with a site specific Sea Lice Action Plan. We have invested in sustainable measures to manage sea lice, including further development of the cleaner fish programme, as well as new treatment technologies, including the hydrolicer and freshwater treatments in order to actively reduce the use of medical products.

We recognise our responsibility for managing our stock and practice a zero tolerance policy for fish escapes. We have incorporated comprehensive training and robust contingency plans across all sites. We have invested substantially in measures to improve containment, including the use of acoustic devices as a deterrent to predators and a regular maintenance programme for nets and equipment.

Future priorities

The responsible stewardship of our environment and the health and welfare of our fish are our main priorities. We work collaboratively with academic and industry partners to find sustainable, long term solutions to industry-wide challenges. We strive to reduce medical treatments, mortalities and practice zero tolerance to escapes.

High quality, sustainable and traceable feed

We are dedicated to producing the finest quality Scottish salmon and fundamental to this is the quality of the feed. We are committed to sourcing high specification feed, from specialist feed suppliers accredited to appropriate assurance schemes such as UFAS and GLOBALG.A.P.

Our feed strategy is focused on reliability, sustainability and full traceability.

We require all our feed suppliers to source marine ingredients from fisheries and producers certified by the International Fishmeal and Fish Oil Organisation (IFFO) under their Responsible Supply scheme which assures traceablity right back to the relevant responsibly managed fishery. We also consider the health and sustainability of these fish stocks based on independent assessments published by the Sustainable Fisheries Partnership. Where appropriate plant based ingredients are required to be certified under schemes that set standards for social responsibility and environmental sustainability such as Proterra (Soya).

With these requirements on the ingredients used in our feed in place we believe it can be considered sustainable .

Our Scottish salmon is fed a diet higher in marine oil than average ensuring it is rich in Omega 3.

Our efforts and results

We are involved in a number of collaborative research programmes with industry and academic partners in order to ensure the healthy growth of our stock and flesh quality required by our discerning customers.

Future priorities

We continually aim to improve the efficiency with which we feed our farmed stock investing in and taking advantage of advancements made in aquaculture, nutrition and feed production. We optimise feeding regimes to minimise environmental impact.

Restocking programme

We recognise our broader responsibility to engage, support and work collaboratively with stakeholders in our wider environment. We are involved in various local projects focusing on wild fish interests, including research and habitat. An example is our involvement in a successful restocking project on the River Carron, supplying feed, equipment, sharing expertise and providing funding. We now manage the Carron Stock Breeding Programme and supply this strain of ova and fry for restocking the river.

Future priorities

We are working on a similar restocking programme close to our Langass Hatchery in North Uist. This project will restock the Skealtar system, where the original Native Hebridean stock was first sourced in 2006. The programme will see the release of Native Hebridean Salmon fry reared at the Langass Hatchery and the first release is projected to take place in Spring 2018.

6 Corporate Governance

The Scottish Salmon Company PLC will continue to pursue sound corporate governance to drive shareholder value and promote sustainable business conduct.

The Scottish Salmon Company PLC is incorporated in Jersey and listed on the Norwegian stock exchange "Oslo Børs" and is subject to Norwegian securities legislation and stock exchange regulations. The Group has adopted the Norwegian Code of Practice for Corporate Governance, last revised 30 October 2014 (the "Code of Practice"), and seeks to comply where possible with the Code of Practice. The Code of Practice is available at www.nues.no.

Application of the Code of Practice is based on the "comply or explain" principle and any deviation from the Code of Practice is explained under each item. The corporate governance framework of the Group is subject to annual review by the board of directors (the "Board" or the "Board of Directors") and the updated report is found in the Group's annual report, in accordance with the requirements for listed companies and the Code of Practice.

Corporate values, ethical guidelines and corporate social responsibility

The Company's core values "Pride", "Passion" and "Provenance" are incorporated in the corporate culture and business conduct, and the Board has drawn up a document which sets out the ethical guidelines of the Group. In addition, the Group has developed a Corporate Social Responsibility (CSR) programme that responds to the business and social realities and which reaches out to staff, local schools and communities as referred to in section 5 of the annual report.

The Company is currently in the process of further developing its ethical guidelines and procedures for CSR, work is ongoing to include goals and reporting measures for future evaluation purposes.

Business

The business purpose of the Group is defined in the Articles of Association Clause 1 (2) "Business" as:
"the production, refinement, sale and distribution of seafood and goods used in seafood production, either directly or through participation in other companies and including other activities related thereto."

The Group has developed clear objectives and strategies for its business within the scope of the definition of its business. A description of the key objectives and strategies can be found in the Directors' Report on page 18.

Equity and Dividends

At 31 December 2017 the Group had an equity ratio of 58.6%, which the Board regards as an appropriate level in the context of its objectives, strategy and risk profile.

The objectives will be achieved through sound business development and continuous growth and aims to give shareholders a competitive return on capital relative to the underlying risk. However, the Group's bank facilities include certain covenants that currently restrict the timing and amounts of dividends.

As of 31 December 2017, there are no mandates granted to the Board to increase the Group's authorised share capital of 300,000,000 shares, 193,482,271 of which are issued and outstanding. Unissued shares can be issued by the Board according to Jersey law and the Articles of Association. Further shares will be issued pursuant to the equity incentive scheme.

Equal Treatment of Shareholders and Transactions with Close Associates

The Scottish Salmon Company PLC has one single class of shares and all shares carry equal voting rights. Each share carries one vote and all shareholders are treated equally.

All transactions with close associates are disclosed in the notes to the Financial Statements. In the event of any transactions between the Group and shareholders, a shareholder's parent company, directors, key personnel or close associates of any such parties, such transactions will be carried out at arm's length and at market terms. Material transactions with close associates will be subject to independent third party valuation in accordance with the Code of Practice.

The Group's internal guidelines require all members of the Board and Executive Managment to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Group.

Freely negotiable shares

The shares of The Scottish Salmon Company PLC are freely negotiable. There are no restrictions on the negotiability of the shares in the Articles of Association.

General Meetings

The Scottish Salmon Company PLC will seek to ensure that as many shareholders as possible can exercise their rights by participating in general meetings and that general meetings will be an effective forum for the views of shareholders and the Board. Clauses 11 and 12 of the Articles of Association of the Group regulate the convening of and proceedings at general meetings.

The Group intends to hold its Annual General Meeting no later than the end of June each year. Extraordinary General Meetings can be called by the Board at any time.

Notices of general meetings, including all appendices, will be made available on the Group's website www.scottishsalmon.je, at a minimum of 21 days prior to the meeting. The Board will seek to ensure that resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.

6 Corporate Governance

Shareholders will be requested to give advance notice of attendance at general meetings but the giving of such notice will not be a condition for admission to general meetings.

Shareholders who are not able to participate in general meetings will be given the opportunity to vote by proxy. A proxy form will be included in notices of general meetings, and the Group will appoint a person that will vote on behalf of shareholders as their proxy unless the shareholder has appointed another person. The proxy form allows for separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election. To be valid, forms of proxy must be submitted within a deadline set by the Board in the notice and the proxy form, normally three business days before the meeting.

The right to attend and to vote in general meetings may only be exercised for shares registered in the shareholders' register by a deadline set by the Board in the notice and the proxy form not more than 48 hours before the time fixed for the meeting.

The Board and the Chairman of the general meeting will ensure that the general meeting is given the opportunity to vote separately for each candidate nominated for election to the Group's corporate bodies.

The Board does not as a general rule intend to propose an independent chair for general meetings. As such, the Chairman of the Board will normally chair all general meetings. The Board will propose an independent chair for the meeting if any of the matters to be considered calls for such an arrangement.

Following a general meeting, an announcement will be made that the meeting has been held and that the results of voting will be available within 15 days after the date of the meeting.

Deviation from the Code of Practice

The Code of Practice recommends that all members of the Board, the Nomination Committee and the Auditor should attend general meetings/Annual General Meetings.

The Chairman of the Board will be available at all general meetings. Whether all members of the Board, and thus also representatives from the Nomination Committee, will be present at general meetings will be assessed on a case by case basis, as the Board believes it depends on the matters being considered whether there is a need for such participation. The Group's Auditor will normally be available at Annual General Meetings, but not necessarily at Extraordinary General Meetings.

Nomination Committee

The Group's Nomination Committee shall have at least two members and consist of two non executive directors. The Nomination Committee will have a minimum of one meeting per year. In 2017, the Nomination Committee held one meeting. The members of the Nomination Committee are appointed for a period of up to three years and may be re-appointed. As of 31 December 2017, the members of the Nomination Committee were:

- Viacheslav Lavrentyev
- Robert M Brown III

Both Nomination Committee members are independent of the Company's Executive Management.

The Nomination Committee's work is determined by Terms of Reference approved by the Board in May 2017. The Nomination Committee is responsible for identifying and nominating candidates for the Board based on the current and future Group needs. Shareholders may submit proposals for candidates to the Board by sending an email to nominations@scottishsalmon.je (available from the website www.scottishsalmon.je/contacts). Candidates for election are presented in the notice for the Annual General Meeting. The Nomination Committee is also responsible for nominating candidates for the Executive Management of The Scottish Salmon Company Limited. There is no separate remuneration of the committee members.

Deviation from the Code of Practice

The Code of Practice states that the Nomination Committee should be appointed at a general meeting and should be independent of the Board and the Executive Management with at least one member not on the Board. Further, the Nomination Committee should be laid down in the Group's Articles of Association.

The Group has opted that the Board appoint the members of the Nomination Committee from amongst the non executive directors in compliance with Jersey company law. The Board believes that the Nomination Committee represents all shareholders' interests and all appointments to the Board will subsequently require ratification by shareholders at the next general meeting. The Nomination Committee is not laid down, nor is it required to be laid down under Jersey law, in the Company's Articles of Association.

Corporate Governance

Corporate Assembly and Board of Directors: Composition and Independence

The Group is not required by Jersey law to, and does not, have a corporate assembly.

Pursuant to the Articles of Association Clause 15 (5), the number of Directors shall not be subject to any maximum, but shall not be less than three. As at 31 December 2017, the Board consisted of five Directors, comprising of four men and one woman.

The composition of the Board is intended to ensure that the Board can attend to the common interests of all shareholders and meets the need for expertise, capacity and diversity, and that the Board can function effectively as a collegiate body. All the members of the Board are independent of the Executive Management of The Scottish Salmon Company Limited, whilst Executive Management of The Scottish Salmon Company Limited are not represented on the Board. All members of the current Board are considered to be independent of the majority shareholder.

The Chairman of the Board is elected by the Directors. One third of the Directors will retire at each Annual General Meeting either by choice or by determination of length of service. Directors retire by rotation in accordance with the provisions of the Articles of Association with the longest serving Directors retiring each year. In the event of equal lengths of service, the retiring Director is chosen by lot. Retiring Directors are eligible for reappointment.

Members of the Board are encouraged to own shares in The Scottish Salmon Company.

The annual report will provide information to illustrate the expertise and capacity of the members of the Board, which is also available from the Group's website www.scottishsalmon.je.

The Work of the Board of Directors

The Board produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board has adopted instructions for its own work that regulates its areas of responsibilities. The instructions were approved by the Board in November 2010. The Board ensures that it is fully informed about the financial position of the Group at all times and is responsible for the reviewing and approving of the plans and budgets for the Group's business activities. In order to ensure an independent approach by the Board, another Director will take the chair of the Board meeting when the Board considers matters of a material nature in which the Chairman has, or has had, an active involvement.

The Board will meet a minimum of six times a year, whereof at least four meetings will consist of physical meetings. In 2017, the Board had seven meetings in addition to one operational meeting where no decisions were made.

Name	Role	Date of Appointment	Participation at Board Meetings 2017	Shareholding in the Group (direct or indirect)
Robert M Brown III	Chairman	10 October 2010	8 out of 8	191,611
Viacheslav Lavrentyev	Non Executive Director	11 October 2010	8 out of 8	-
Merete Myhrstad	Non Executive Director	11 October 2010	8 out of 8	65,000
Martins Jaunarajs	Non Executive Director	28 March 2014	8 out of 8	-
Douglas Low	Non Executive Director	1 November 2016	8 out of 8	40,000

6 Corporate Governance

Audit Committee

The Audit Committee is a subcommittee of the Board and its work is determined by the Terms of Reference approved by the Board in November 2010. The Audit Committee will, on behalf of the Board, monitor financial reporting, the performance and independence of the external auditors and the Group's systems and controls. The Audit Committee consists of two Board members, appointed by the Board. As at 31 December 2017, the committee members were:

- Merete Myhrstad
- Martins Jaunarajs

The Audit Committee shall have at least five meetings per year and in 2017 six meetings were held. The Auditor and Chief Financial Officer usually attend all Audit Committee meetings. At least once per year the Audit Committee has a meeting with the external auditors without Executive Management present.

Remuneration Committee

The Board has also established a Remuneration Committee, which proposes remuneration for Board members and Executive Management of The Scottish Salmon Company Limited. The work of the Remuneration Committee is determined by the Terms of Reference approved by the Board in May 2017. The Remuneration Committee shall have at least two members appointed by the Board for up to three years. As at 31 December 2017, the Remuneration Committee had three members:

- Robert M Brown III
- Viacheslav Lavrentyev
- Douglas Low

The Remuneration Committee shall have at least two meetings each year and in 2017 nine meetings were held.

Risk Management and Internal Control

One of the key responsibilities of the Board is to ensure that the Group has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Group's activities. The internal controls and systems also encompass the Group's corporate values, ethical guidelines and guidelines for Corporate Social Responsibility.

The Board attaches great importance to the Group's risk management and control systems. These systems form an integrated part of the management's decision making process.

Risks can be divided into two main categories, financial risk (such as currency, liquidity etc) and operational risk (such as development of the sales price, biological risk, feed utilisation etc). Further details can be found in the Board of Directors' Report and Note 27 to the Group Financial Statements.

The Board alongside Executive Management of The Scottish Salmon Company Limited is responsible for establishing and maintaining adequate internal control over financial reporting. The Audit Committee monitors the financial reporting and related internal control, including the application of accounting principles and judgements in financial reporting. Executive Management and the Audit Committee have regular meetings with the external auditor present to discuss issues related to the financial reporting.

The main trading entity within the Group prepares its Financial Statements within a standard ERP system and these are consolidated into the Group's results manually. This process is reviewed by the Group's auditor for each set of published Financial Statements.

Furthermore, the Audit Committee requests that the auditors present a review of the internal control procedures, including identified weaknesses and proposals for improvement, to the Board at least once a year. In consultation with Executive Management they have assessed the effectiveness of the Group's internal controls relevant to financial reporting. Based upon this assessment the Board is of the opinion that the Group's internal control of financial reporting was adequate.

Remuneration of the Board

Remuneration paid to members of the Board is voted upon at the Annual General Meeting. The remuneration reflects the duties required and there is no additional remuneration for Board members appointed to Board committees. A member of the Board may take on specific assignments for the Group in addition to their appointment, if this is disclosed to the full Board. The remuneration for such additional duties shall be approved by the Board and any additional remuneration will be specifically identified in the annual report. Board remuneration is not performance related and no Director has share options in the Group. Further details in relation to the remuneration of the Board of Directors can be found in Note 7 to the Group Financial Statements.

Remuneration of Executive Management

The Board has established guidelines for the remuneration of Executive Management which are intended to help to ensure convergence of the financial interests of Executive Management and the shareholders. In 2015, the Group introduced an Employee Equity Incentive Scheme for selective employees consistent with its wish that remuneration of Executive Management be composed of both a fixed salary and benefits, short term incentive scheme and options to acquire shares. The Board's statement regarding remuneration of Executive Management can be found in Note 7 to the Group Financial Statements and are also available from www.scottishsalmon.je.

Deviation from the Code of Practice

The Code of Practice states that a statement in respect of the remuneration of executive personnel should be presented in a separate appendix to the agenda for the Annual General Meeting and that guidelines for the remuneration of executive personnel should be disclosed. Further that separate votes should be held on these aspects at the Annual General Meeting.

The Group complies with the relevant requirements under Jersey Law with regard to executive remuneration. Further the Board believes adequate information is disclosed in this report to facilitate understanding of the nature of remuneration.

Information and Communication

The Board has adopted an investor relations policy in respect of its reporting of financial and other information and contacts with shareholders outside of general meetings. This policy is based upon the key principles of openness and equal treatment, and can be found on the Group's website www.scottishsalmon.je.

The Group publishes an annual overview of the dates for major events such as its Annual General Meeting and publication of interim reports etc. All information distributed to the Group's shareholders is published on the Group's website, www.scottishsalmon.je, at the same time as it is sent to shareholders via Oslo Børs distribution services www.newsweb.no.

Further to changes in the Continuing Obligations for companies listed on the Oslo Børs, effective 1 January 2017, The Scottish Salmon Company PLC will publish financial information by producing half yearly reports and annual reports. Consequently, the Group no longer produces or publishes quarterly financial information, however it will provide a quarterly operational update.

Takeovers

The Code of Practice recommends that the Board establish guiding principles for how it will act in the event of a takeover bid.

If a takeover bid occurs, the Board will follow the overriding principle of equal treatment for all shareholders, and will seek to ensure that business activities are not disrupted unnecessarily. The Board will strive to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board will not seek to prevent takeover bids unless it believes that the interests of the Group and the shareholders justify such actions. The Board will not exercise mandates or pass any resolutions with the intention of obstructing any takeover bid unless this is approved by the general meeting following the announcement of the bid. If a takeover bid is made, the Board will issue a statement in accordance with statutory requirements and the recommendations in the Code of Practice. In the event of a takeover bid, the Board will consider obtaining a valuation from an independent expert. Any transaction that is in effect a disposal of the Group's activities will be submitted to the general meeting for its approval.

Auditor

The auditor of the Group is Campbell Dallas Audit Services. The auditor submits an annual plan for the audit to the Audit Committee. The auditor participates in Board meetings as and when required. The Board holds a meeting with the auditors at least once a year at which management are not present. The auditor presents a review of the internal control procedures, including identified weaknesses and proposals for improvement, to the Board at least once a year. There are guidelines in respect of the use of the auditor by Executive Management for services other than the audit. Under the guidelines, the auditor is required to provide the Board with an annual overview of all services in addition to audit work that has been undertaken. The auditor has been requested to provide an annual written confirmation that it continues to satisfy the requirements for independence. Information on the remuneration paid to the auditor, including details of the fee paid for audit work and any fees paid for other specific assignments, is included in a note to the Financial Statements. At each Annual General Meeting, the Board shall inform the Annual General Meeting of all services provided by the auditor and their remuneration.

The Board of Directors' Report

The Group recorded revenues of £150.9m (2016: £109.9m) in 2017, driven by higher harvest volumes and strong prices, total harvest volumes were 25,272 tonnes. The focus remains on developing the platform for long term sustainable growth and underpinned by our commitment to Scottish Provenance.

EBITDA before biomass fair value adjustment amounted to £38.7m (2016: £8.9m) and net earnings £24.1m (2016: £8.9m).

Prices were strong at the start of the year, but fluctuated throughout the second part of the year with a slow pick up for the festive season in Q4. The contract price, along with premium sales of Label Rouge, provided stability in revenue. Overall results were impacted by challenging biology and associated cost impact, particularly in the second half of the year and continuing into 2018.

The export drive throughout the year resulted in excess of 50% of sales being exported with increased sales notably in the USA and around the Far East as well as Label Rouge sales to France. Year on year operating revenues increased by 37%. Volumes for 2018 are anticipated to be 26,500 tonnes.

The nature of the business and strategy

Our production strategy continues to be underpinned by three key principles to support export growth in new and existing markets and provide clear long term direction to increase capacity:

1. focus on growing capacity and year round balanced production;
2. speed to market; and
3. provenance.

The first principle is a clear focus on growing capacity and developing our capability to provide year round balanced production. A new site in Portree on the Isle of Skye has been commissioned and will be stocked in 2018, contributing an additional 2,000 tonnes of consent. We have proactively pursued our development pipeline with several new planning applications underway.

Speed to market is the second principle. Ensuring minimum time from farm to customer for our fresh salmon is crucial for maximising business opportunities in export markets. Introducing pre rigor filleting in the South during 2017 has further improved these opportunities and speed to market.

Over the course of the year, we prioritised improving operational efficiency and capital investment was made in our facilities, boat fleet and processing to ensure efficiencies in the supply chain and also ensure our speed to market.

Building our export market share remains fundamental to the business and our Scottish provenance sets us apart across the globe. New product development and a sustained marketing campaign provided platforms for growth. We are now exporting 50% of production to 26 export markets and focus on developing sales to the USA and the Far East.

The third principle is provenance, which is at the very heart of our business. Embedding Scottish provenance throughout the production process strengthens our offering to export markets and provides a unique commercial advantage. Our Native Hebridean Broodstock Programme, at our Langass Hatchery in North Uist, reached an important milestone in 2017 with further development of the broodstock selection unit and being awarded at the Highland & Island Food and Drink Awards, winning two awards in the categories for Innovation and New Product.

7 The Board of Directors' Report

Important Events in 2017

- Planning permission for development of a new site at Portree, Isle of Skye, with additional 2,000 tonnes of consent
- Full year exports exceeded 50% for the first time in the Group's history. Native Hebridean listed with premium retailer in the USA and on the menu in a top restaurant
- Additional freshwater hatchery purchased in the South
- In December the Group entered into a long term agreement with Hendrix Genetics for the development of the Native Hebridean Broodstock Programme
- The development of the Company's platform for future growth is the core element of the quality growth strategy. This has continued with the introduction of a new filleting facility in the South. In addition to improving overall operational efficiency and product utilisation, the new line will improve flexibility and strengthen consistent and valued service.

Operational Review

Farming

2017 started positively with increased harvest volumes compared to the previous year where biological challenges resulted in lower than anticipated volumes. Biological challenges due to warmer temperatures in the second half of this year resulted in additional mortalities and further compromised growth. This impact will continue into 2018.

Our focus remains on the biology of the salmon with continued use of the hydrolicer and freshwater treatment trials have shown encouraging results. We continue to refine our strategy for stocking cleaner fish across our sites and further development of site specific health planning have contributed to improve management of these issues.

Sales and Marketing

Our focus is on developing long term partnerships with key customers and throughout the year we continued to foster strong relationships with premium retailers, smokers and restaurateurs, both in the UK and overseas. We currently export to 26 countries representing 50% of total annual revenue. In 2017 the business secured several significant new customers, including in North America, a key growth territory.

New product development was the core priority for export marketing. Our premium Label Rouge range was expanded to include a number of new packaged pre rigor fillets for key European markets.

Our Native Hebridean salmon has been successfully introduced to exports markets to great acclaim. Leveraging Scottish provenance underpins our export strategy and our Native Hebridean Broodstock Programme gives us a unique selling point.

Investment Strategy

Global demand for Scottish salmon continues to be strong and the intent by the Scottish Government for growth in the sector was clearly established in the report embraced by the Scottish Government's Aquaculture Growth to 2030.

The Group continues to invest in sustainable expansion through its ongoing strategy of securing new or increased licences to increase volumes and achieve more balanced year round production. Investment in capital expenditure has been undertaken during the year to improve efficiency and capacity.

The Group will continue to review opportunities to invest in marine, freshwater and processing sites that demonstrate a solid return on investment and are in line with its strategy and customer requirements. In addition, we remain committed to exploring other opportunities within aquaculture to invest in complementary businesses along the value chain.

The industry continues to evolve and we have been proactive in innovating in line with technological, scientific and operational developments to ensure our quality control, environmental stewardship and fish welfare are world class.

Outlook

Market prices are forecast to remain strong and, while our focus is on meeting contracted commitments, we will maximise traded volumes wherever possible. Our stepped programme of site development will continue to develop, with new sites coming into the harvest cycle in 2019, enhancing volume available.

Exchange rates remain favourable as we increasingly prioritise growing export sales. Our strategy focuses on delivering consistent availability, speed to market and enhanced provenance, and we will continue to proactively build our global relationships and reputation throughout 2018. Our Label Rouge range offers us a stable platform to drive sales while the development of Native Hebridean salmon provides us with a unique opportunity for commercial advantage that will be exploited as production increases.

We are guiding harvest volumes of 26,500 tonnes for 2018.

While there have been challenges in 2017, it demonstrates the stability of the Group. The business has reacted decisively and effectively to the challenges faced minimising risk and maximising profitability. This business model, our Scottish provenance and our long term strategy for sustainable growth will continue to stand us in good stead as we firmly establish The Scottish Salmon Company's position as a leading food producer, not just in Scotland, but in the global marketplace.

Risk Factors

The nature of the Group's business exposes it to financial and operational risks. The past few years have demonstrated the factors that can impact the business from market forces through to natural phenomena.

Biological risk

The industry is subject to a number of biological risks that could impact profitability and cashflows. The Group is proactive in monitoring general biological risks, relying not only on specialists to observe environmental conditions and fish health, but through providing basic diagnostic training across the wider staff population. The Group continues to work to mitigate this risk by working closely and collaboratively with other industry players to initiate new health monitoring programmes, treatment strategies and research. The Group is dependent on a number of small and declining third party suppliers to meet its full smolt requirements. The Group has entered into long term supply arrangements to secure supply and continues to work towards reducing its reliance on third parties.

The importance of environmental and food safety standards remains high at a local, national and international level and the industry is under constant scrutiny. The Group complies with all licences and consents, policies and regulations as overseen by the Scottish Environment Protection Agency (SEPA) and operates under the Code of Good Practice and GLOBALG.A.P. in terms of farm husbandry.

Market risk

The Group competes in a global market, where the growing supply of fresh and frozen fish products are an increasing challenge to our market position. Fluctuations in this supply impact the market price of farmed salmon while different tax regimes can help or hinder the supply chain.

The Group's exposure is mitigated by entering into fixed price and volume contracts for its salmon products as well as using hedging instruments. The traded price of Scottish farmed salmon continues to be strong compared to historic levels.

The price of important raw materials, particularly feed, also present an economic risk and while the Group has invested in sourcing strategies and built up strong working relationships with its supply chain partners, the volatility of international markets will be beyond its control.

Currency risk

The Group's main transaction currency is Sterling, which is also the main currency for the majority of contracted revenues. Traded and export sales can be denominated in other currencies, the most significant of which is Euro. The Group uses forward currency contracts to manage its exposure to currency fluctuations arising from these transactions. The Group is financed in Sterling and foreign exchange risk is managed in accordance with its treasury policy.

As exports continue to become an increasingly significant source of revenue for the Group, the Board will continue to adapt its currency hedging strategy.

Interest risk

The Group's risk arises principally from its bank borrowings and other long term loans, as the Group has no interest bearing assets. As such, the Group's operating profit/loss and cashflows are largely independent of changes in interest rates. The Group hedges against interest rate risk in respect of the term loan facility.

Credit risk

The Group is exposed to credit risk from its operating activities, namely its trade receivables. This risk is mitigated through the use of credit insurance for the majority of trade receivables coupled with credit verification procedures before accepting new customers.

Liquidity risk

The Group is continuously monitoring liquidity through monthly updated budgets, long term cashflow projections and quarterly rolling forecasts to ensure that the Group has sufficient liquidity to meet its operational liabilities and banking covenants.

The Group continues to have a production imbalance, albeit decreasing, which affects liquidity. The Group will continue to actively resolve this by securing new licence consents.

Geopolitical Risk

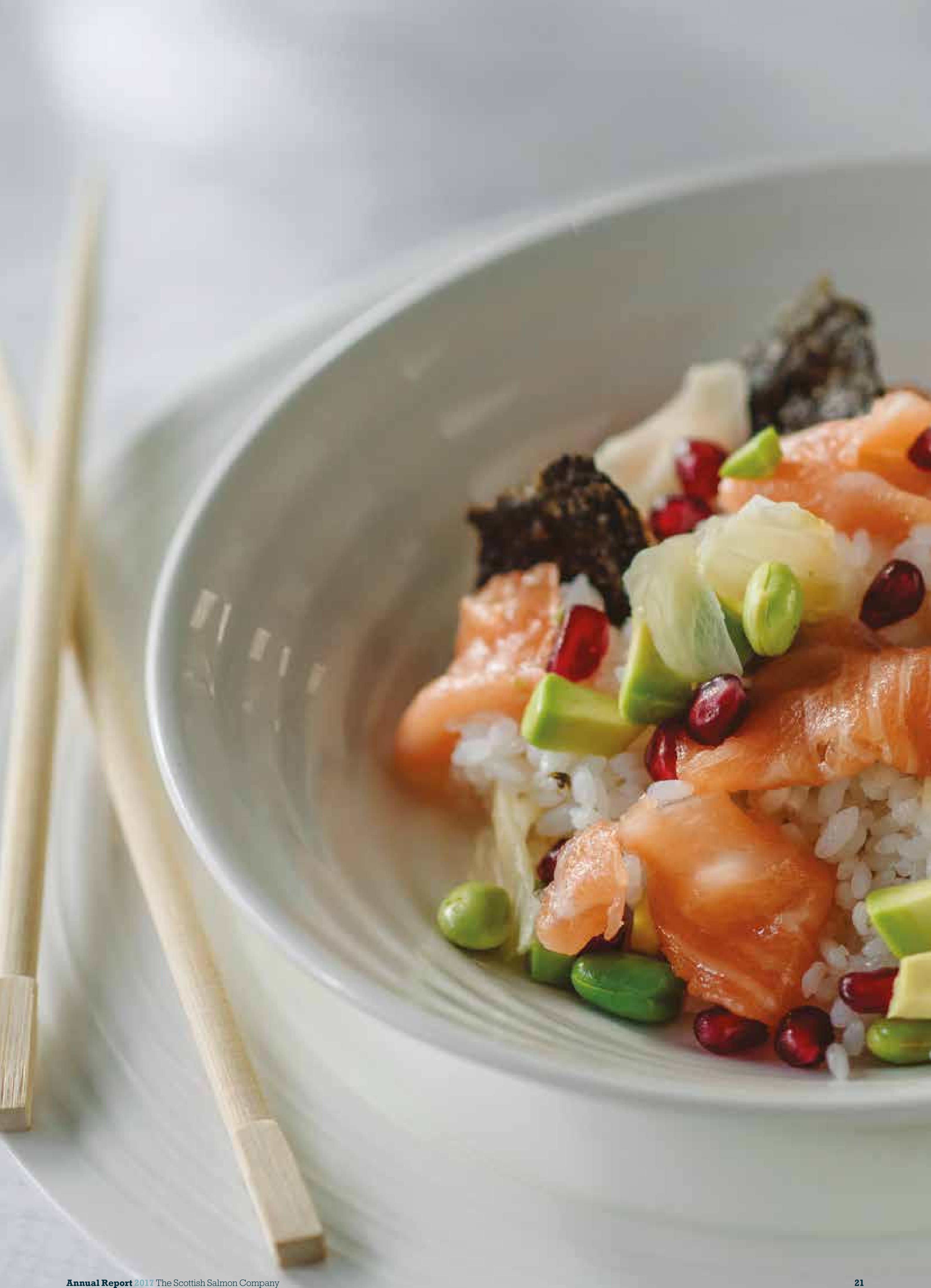
In June 2016, the United Kingdom voted to leave the European Union (Brexit) and in March 2017 the formal exit process was triggered by the UK Government. A period of two years, during which the terms of exit will be negotiated followed. As a Group whose operations are based in Scotland, the Company will closely monitor how the outcome of Brexit negotiations affects its business which could create both potential risks and opportunities. Where potential risks can be anticipated, strategies will be put in place to counter them.

Going Concern

The Board confirms that the Financial Statements have been prepared on a going concern basis. This assumption is established based on the Group's business strategy, financial situation, budget and long term forecasts.

Corporate Governance

The Group's compliance with corporate governance is disclosed in the corporate governance statement in this Annual Report and on the Group's website www.scottishsalmon.je.



8 Board of Directors of The Scottish Salmon Company PLC

Robert M Brown III,
Chairman
Robert M Brown III has over 35 years' experience in corporate business and finance, holding many senior positions with listed companies. His experience includes 17 years at Lehman Brothers in New York as a Managing Director of investment banking, 4 years of venture capital financing of internet start-ups, and 14 years of work financing and directing private companies in Russia. Mr Brown is an alumnus and Trustee of Carnegie Mellon University.

Douglas Low,
Board Member
Douglas Low has extensive seafood industry experience in a variety of sectors with senior roles in processing and aqua feed. He was Managing Director of EWOS UK and a member of the EWOS Group Senior Management Team for 11 years retiring in 2016. He is currently an external advisor for specific projects to Cargill Aqua Nutrition who acquired EWOS in 2015.

Merete Myhrstad,
Board Member
Merete Myhrstad has extensive experience of the Norwegian stock market with an expertise for financial reporting, corporate governance and listing issues. She is currently a responsible partner and member of the management of Uniconsult AS and is Chair of the Audit Committee. Prior positions include Oslo Børs and the Norwegian FSA (Finanstilsynet).

Viacheslav Lavrentyev,
Board Member
Viacheslav Lavrentyev has over 20 years' experience in finance and investment banking. He has significant knowledge and expertise in the salmon farming industry and played a key role in establishing Russia's salmon aquaculture company, Russian Salmon. He is currently a consultant at Spiridon Ventures Limited.

Martins Jaunarajs,
Board Member
Martins Jaunarajs is an Investment Director at AS BaltCap, a venture capital firm in the Baltic States. Prior to joining AS BaltCap in 2010, Mr Jaunarajs was a Senior Vice President and Global Head of Capital Markets and Investment Banking Division at Parex Banka and Head of Corporate Sales in Financial Markets division of Hansabanka in Latvia.

The Board		Length of service	Nomination Committee	Remuneration Committee	Audit Committee
Robert M Brown III	Chairman of the Board	7 years	x	x	
Viacheslav Lavrentyev	Non Executive Director	7 years	x	x	
Merete Myhrstad	Non Executive Director	7 years			x
Martins Jaunarajs	Non Executive Director	4 years			x
Douglas Low	Non Executive Director	1 year		x	

Executive Management of The Scottish Salmon Company Limited

Craig Anderson, Chief Executive Officer
Craig Anderson has over 30 years' international business experience working with publicly listed companies with international growth potential. Mr Anderson joined The Scottish Salmon Company Limited in June 2013 and previously spent 20 years working in Russia, the last six being in property development.

Fiona Larkin, Chief Financial Officer
Fiona Larkin is a Chartered Accountant with more than 20 years of experience spanning a range of financial disciplines and in a number of managerial positions. Ms Larkin joined The Scottish Salmon Company Limited in September 2014 having previously held the positions of European Financial Controller and Director of Business Performance and FP&A at InterGen UK Limited.

8 Board of Directors of The Scottish Salmon Company PLC

Advisors to The Scottish Salmon Company PLC

Auditors
Campbell Dallas
Audit Services
Titanium 1
King's Inch Place
Renfrew
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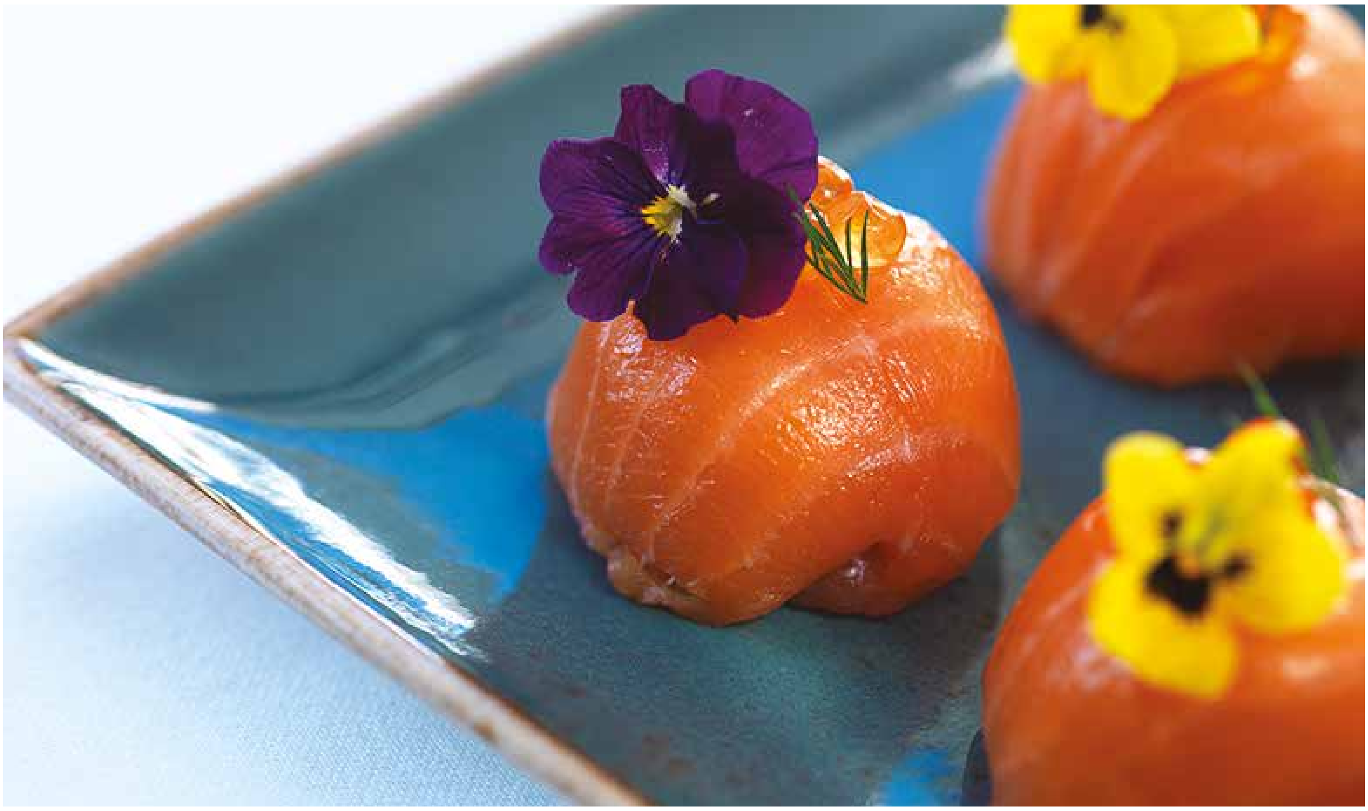
St Helier
Jersey
JE2 3RA

Company Secretary
Minerva Trust &
Corporate Services
Limited
43/45 La Motte Street
St Helier
Jersey
Channel Islands
JE4 8SD



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Consolidated Income Statement

	Note	2017 (£'000s)	2016 (£'000s)
Revenue	5	**150,946**	**109,921**
Purchase of goods		(100,801)	(76,324)
Change in inventory and biomass at cost		15,102	(1,135)
Salaries and related costs	6/7	(18,413)	(15,612)
Fair value adjustment on biomass	17	294	11,262
Other operating expenses	8	(8,165)	(7,911)
Earnings before interest, taxes and depreciation (EBITDA)		**38,963**	**20,201**
Depreciation and impairment	12/13	(8,198)	(8,277)
Gain on disposal of tangible / intangible assets		5	10
Earnings before interest and taxes (EBIT)		**30,770**	**11,934**
Interest expenses	9	(1,136)	(1,598)
Other financial items	9	(316)	(1,236)
Earnings before taxes		**29,318**	**9,100**
Taxes	10	(5,183)	(189)
Net earnings for the year		**24,135**	**8,911**
Earnings per share			
Basic earnings per share (£) on The Scottish Salmon Company PLC shares in issue at 31 December	11	0.12	0.05
Diluted earnings per share (£) on The Scottish Salmon Company PLC shares in issue at 31 December	11	0.12	0.05

Consolidated Statement of Other Comprehensive Income

	Note	2017 (£'000s)	2016 (£'000s)
Net Earnings		24,135	8,911
Change in fair value of cashflow hedges	22	(555)	(1,887)
Deferred tax on cashflow hedges	10	28	316
Cashflow hedges reclassified to income statement	22	392	31
Total items to be reclassified to income statement in subsequent periods		**(135)**	**(1,540)**
Total other comprehensive income		**(135)**	**(1,540)**
Total comprehensive income for the year		**24,000**	**7,371**

Consolidated Statement of Financial Position

	Note	2017 (£'000s)	2016 (£'000s)
Non-current assets			
Licences & other intangibles	13/14	24,314	23,612
Goodwill	13/14	2,164	2,164
Total intangible assets		**26,478**	**25,776**
Property, plant and equipment	12	43,991	39,207
Total tangible assets		**43,991**	**39,207**
Investment in associate undertaking	15	-	-
Non current financial assets	15	-	-
Total non-current assets		**70,469**	**64,983**
Current assets			
Inventory	16	2,581	2,117
Biological assets	17	95,100	80,167
Trade receivables	18	18,785	12,625
Other receivables	18	2,906	3,512
Current taxes	10	-	484
Cash and cash equivalents	19	8,500	3,013
Total current assets		**127,872**	**101,918**
Total assets		**198,341**	**166,901**
Equity			
Share capital	20	17,485	17,485
Share premium reserve	20	64,028	64,028
Cash flow hedge reserve	20	(1,675)	(1,540)
Other equity	20	36,417	12,182
Total equity		**116,255**	**92,155**
Non-current liabilities			
Deferred taxes	10	8,133	7,144
Other long term liabilities	26	1,680	1,444
Long term interest bearing bank debt	21	36,021	36,444
Total non-current liabilities		**45,834**	**45,032**
Current liabilities			
Short term interest bearing bank debt	21	10,998	9,236
Other short term interest bearing debt	21	-	237
Trade payables	25	15,460	13,108
Other short term liabilities	26	8,422	7,133
Current taxes	10	1,372	-
Total current liabilities		**36,252**	**29,714**
Total liabilities		**82,086**	**74,746**
Total equity and liabilities		**198,341**	**166,901**
Equity Ratio		58.6%	55.2%

20 February 2018

Robert M Brown III
Chairman

Douglas Low
Board Member

Martins Jaunarajs
Board Member

Merete Myhrstad
Board Member

Viacheslav Lavrentyev
Board Member

Consolidated Statement of Cashflows

Period ended 31 December 2017	Note	2017 (£'000s)	2016 (£'000s)
Operating activities			
Earnings before interest and taxes		30,770	11,934
Adjustment to reconcile earnings before interest and tax to net cashflows			
Non cash:			
Fair value adjustment on biomass	17	(294)	(11,262)
Depreciation and impairment of property, plant and equipment	12	7,971	8,277
Impairment of farming licences	13	227	-
Gain on disposal of assets		(5)	(10)
Other adjustments:			
Other financial expenses		(479)	(275)
Share based payment	7	100	86
Working capital adjustments:			
Change in inventory, payables and receivables		(16,783)	1,315
Taxes paid		(2,309)	28
Net cashflows from operating activities		**19,198**	**10,093**
Investing activities			
Proceeds of sale of property, plant and equipment		192	120
Purchase of property, plant and equipment	12	(12,942)	(7,967)
Purchases of intangible assets	13	(928)	(1,361)
Net cashflows used in investing activities		**(13,678)**	**(9,208)**
Financing activities			
Proceeds from borrowings		5,000	42,500
Repayment of borrowings		(5,000)	(48,494)
Borrowings from asset based financing		695	5,512
Interest paid		(728)	(1,871)
Net cashflows used in financing activities		**(33)**	**(2,353)**
Net change in cash and cash equivalents in period		**5,487**	**(1,468)**
Net increase / (decrease) in cash and cash equivalents		5,487	(1,468)
Cash and cash equivalents at 1 January		3,013	4,481
Cash and cash equivalents at 31 December	19	**8,500**	**3,013**

Consolidated Statement of Changes in Equity

	Issued Capital (Note 20) (£'000s)	Share Premium Reserve (Note 20) (£'000s)	Cashflow Hedge Reserve (Note 20) (£'000s)	Other Capital Reserves (Note 20) (£'000s)	Retained Earnings (Note 20) (£'000s)	Discontinued Operations (Note 20) (£'000s)	Total Equity (£'000s)
At 1 January 2017	**17,485**	**64,028**	**(1,540)**	**(36,366)**	**49,464**	**(916)**	**92,155**
Owner changes for the year recognised directly in equity:							
Share based payment	-	-	-	100	-	-	100
Comprehensive income:							
Net earnings for the year	-	-	-	-	24,135	-	24,135
Other comprehensive income	-	-	(135)	-		-	(135)
At 31 December 2017	**17,485**	**64,028**	**(1,675)**	**(36,266)**	**73,599**	**(916)**	**116,255**
At 1 January 2016	**17,485**	**64,028**	**-**	**(36,452)**	**40,553**	**(916)**	**84,698**
Owner changes for the year recognised directly in equity:							
Share based payment	-	-	-	86	-	-	86
Comprehensive income:							
Net earnings for the year	-	-	-	-	8,911	-	8,911
Other comprehensive income	-	-	(1,540)	-	-	-	(1,540)
At 31 December 2016	**17,485**	**64,028**	**(1,540)**	**(36,366)**	**49,464**	**(916)**	**92,155**

Note 1 - General Information

The Scottish Salmon Company PLC is a company incorporated in Jersey, on 6 November 2009, and listed on the Norwegian Oslo Børs. Domiciled in Jersey, its registered office at 43/45 La Motte Street, St Helier, Jersey, Channel Islands JE4 8SD.

The results for the year to 31 December 2017 and its comparatives encompass the results of the Group as a combined entity. The Group's principal activity is the production and sale of premium quality Scottish salmon.

All Financial Statements are presented in GBP, the Group's functional currency.

Note 2 - Accounting Principles

Basis of accounting

The Annual Report comprises the Board of Directors' Report and the Annual Accounts. The Annual Accounts comprise the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Cashflows, Statement of Changes in Equity and note disclosures for The Scottish Salmon Company Group. The accounting year is the calendar year.

The Annual Accounts for the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS) and the IFRIC interpretations adopted by the International Accounting Standards Board (IASB and the EU).

The Financial Statements have been prepared on the historical cost basis, except for where IFRS requires recognition at fair value, specifically in relation to the valuation of biological assets (biomass) and measurement of financial instruments.

The Board of Directors believe that the Group has adequate resources for the foreseeable future to meet the Group's budget and long term projections. As such, the Financial Statements of the Group have been prepared on a going concern basis.

Use of estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described further in this Statement of Accounting Principles and in Note 3.

Note 2 - Accounting Principles (continued)

Adoption of new and revised standards and interpretations

a) New and amended IFRS standards applicable for period beginning in 2017.

There were no IFRS standards or IFRIC interpretations adopted for the first time in these Financial Statements that had a material impact on the Group's Financial Statements.

b) New IFRS standards not effective for 2017 and not adopted early.

Title	Key Points	Effective Date	Impact
IFRS 15 Revenue from Contracts with Customers	The new standard is a single global revenue standard and replaces IAS11, IAS18, IFRIC 13, IFRIC 18 and SIC 31. The standard contains a single model that applies to two approaches, being at point in time and over time. For complex transactions with multiple components, variable consideration or extended periods, application of the standard can lead to revenue being accelerated or deferred in comparison to current IFRS.	Periods beginning 1 January 2018	A material impact is unlikely in the normal course of business. Adhoc transactions will be reviewed on a case by case basis.
IFRS 9 Financial Instruments	IFRS 9 was introduced in 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.	Periods beginning 1 January 2018	No material impact.
IFRS 16 Leases	Changes the accounting for leases by ensuring that right of use assets are brought onto the Statement of Financial Position along with their respective liabilities.	Periods beginning 1 January 2019 (subject to EU endorsement)	This standard is likely to have implications to the Statement of Financial Position with an increase in both assets and liabilities recognised. A full impact assessment will be carried out during 2018.

New standards not relevant to the Group are omitted.

Management anticipate that the standards and interpretations in issue but not yet effective will be adopted in the Financial Statements when they become effective.

Note 2 - Accounting Principles (continued)

Consolidation Principles

Consolidation

The consolidated accounts present the financial position, results and cashflow for The Scottish Salmon Company PLC and its subsidiaries as a combined entity.

The Scottish Salmon Company PLC was incorporated in Jersey on 6 November 2009 as a public company under Jersey Company Law with registered number 104328. On 8 July 2010, under a share for share exchange with the shareholders of Lighthouse Caledonia ASA, the Company became the new holding company of the Group. The Group restructure was a reorganisation of an existing entity and was a common control transaction. This fell outwith the scope of IFRS 3 and, as such, the Group applied predecessor accounting to the transaction and accounted for the combination under the pooling of interest method. The Group consolidated accounts are presented as if the Group, with The Scottish Salmon Company PLC as the holding company, had always existed.

Subsidiaries

The Group's consolidated accounts comprise the accounts of companies in which the parent company or subsidiaries have a direct or indirect controlling influence. A controlling influence normally exists if a party directly or indirectly owns more than 50% of the voting capital in the controlled entity or has the power to govern the entity's financial and operational strategy. Recently acquired subsidiaries are included from the time a controlling interest is obtained. Divested subsidiaries are included in the consolidated accounts up to the point of divestment.

Elimination of internal transactions

All transactions and balances between companies in the Group are eliminated on consolidation.

Elimination of shareholdings in subsidiaries

Shareholdings in subsidiaries are eliminated in the Group Accounts according to their method of acquisition.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investment but without control over these decisions. Investments in associates are initially recognised at cost. Thereafter the equity method of accounting applies and the Group's proportionate share of the after tax profits or losses are recognised in the Consolidated Income Statement in a separate line. This share adds to or reduces the value of the investment in the Statement of Financial Position. The Group's share of a loss is not recognised where this would reduce the value of the investment beyond £nil.

Foreign Currencies

Foreign currency translation

The Consolidated Financial Statements are presented in GBP, which is the functional and local currency of the trading subsidiaries.

Transactions in foreign currency

Transactions made in a foreign currency are translated using the currency rate at the time of the transaction.

Receivables, debt and monetary items in foreign currency are valued at the currency rate at closing date and the translation differences are charged to the Income Statement continuously.

Financial Assets and Liabilities

Financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, commodity price risk and interest rate risk using forward exchange contracts, salmon derivatives and interest rate swaps. Such instruments are classified as fair value through profit and loss.

Financial instruments are not entered into for trading purposes. The Group had three main categories of financial instruments throughout the year, which were loans and receivables, borrowings at amortised cost and financial instruments held at fair value through profit and loss.

Hedge accounting

The Group uses foreign currency and interest rate swaps to hedge the associated risks relating to highly probable forecast transactions.

The Group designates these derivatives in cashflow hedging relationships by applying hedge accounting principles under IAS 39.

These derivatives are stated at fair value in the Statement of Financial Position at each reporting date. Changes in the fair value of derivatives designated and effective as cashflow hedges are recognised in the Consolidated Statement of Other Comprehensive Income (net of tax) and presented in the cashflow hedge reserve. Any ineffective portion is recognised immediately in the Income Statement.

The associated gain or loss is removed from equity and recognised in the Income Statement in the period in which the transaction to which it relates occurs. Any cumulative gain or loss on the hedging instrument is retained in equity until the forecast transaction affects the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in the Consolidated Statement of Other Comprehensive Income is immediately transferred to the Income Statement.

Note 2 - Accounting Principles (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Upon recognition, these assets are measured at fair value less directly related transaction expenses. In successive periods these are measured at amortised cost and any differences between acquisition cost and redemption value is accounted for over the borrowing period by using the effective interest method. If transaction costs are immaterial and the credit period is short, amortised cost is equal to the nominal value less any allowance for credit losses. Amortised interest is recognised in financial items within the Income Statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. In successive periods these are measured at amortised cost. Any differences between acquisition cost and redemption value is accounted for over the borrowing period by using the effective interest method.

Classification Principles

Assets and liabilities
An asset that is associated with the Group's normal operating cycle, held primarily for the purpose of being traded, expected to be realised within twelve months after the Statement of Financial Position date or is cash or cash equivalents (unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the Statement of Financial Position date) is classified as a current asset. All other assets are classified as non-current assets.

A liability is classified as current if it is expected to be settled in the Group's normal operating cycle, is held primarily for trading purposes, is due to be settled within twelve months after the Statement of Financial Position date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the Statement of Financial Position date. The next year's instalment on long term debt is classified as a current liability. All other liabilities are classified as non-current.

Equity
Ordinary shares are classified as equity.

Financial instruments are classified as debt or equity in accordance with their underlying economic reality.

Costs directly attributable to the issue of shares are shown in equity as a deduction from proceeds. Costs directly attributable to the issue of debt are shown as a deduction from the debt issued.

Interest, dividends, gains or losses related to a financial instrument that is classified as debt, will be presented as an expense or income in the Income Statement.

Dividend distributions to the owners of ordinary shares are recognised in the period in which the dividends are paid and are taken directly to equity.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when the goods are delivered and title, risks and rewards have passed to the customer.

Changes in estimated fair value on biomass are recognised in the Income Statement. The fair value adjustment is reported on a separate line: Fair Value Adjustment on Biomass. The adjustment is calculated as the change in fair value of the biomass less the change in accumulated cost of production for the biomass.

Interest income is accrued on a time basis.

Farming licences
Separately acquired licences are shown at historical cost. Licences acquired as part of a business combination are recognised at fair value at the acquisition date. Licences in Scotland are perpetual as long as operations are run environmentally and with minimal impact on the surrounding area. Licences that are considered perpetual are not subject to amortisation, but an impairment test is performed annually. This impairment test is based on the net present value of future cashflows (value in use). Where this is less than carrying value, an assessment of fair value less costs to sell is made. A provision is made for any impairment when the recoverable amount (being the higher of value in use or fair value less costs to sell) is less than the carrying value. Any impairment write down/losses are reversed if that value recovers.

Research and development
Expenditure on research (or the research phase of an internal project) is recognised in the Income Statement in the period in which it is incurred. Development costs incurred are capitalised in the Statement of Financial Position when all the following conditions are satisfied:

- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed in the Income Statement as incurred.

Capitalised development costs are recognised at acquisition cost less accumulated depreciation and write-downs.

Note 2 - Accounting Principles (continued)

Development costs primarily relate to employment expenditure, external consultancy and the use of equipment and premises. The Group believes that the criteria for capitalisation have been met in 2017 in respect of its Native Hebridean Broodstock Programme and have capitalised costs associated with the project.

The programme is unique within aquaculture, with management judging that, in the current environment, this intangible asset has an infinite life span. This assumption will be reviewed annually to ensure it continues to be appropriate. All internal and external information, financial and non financial, will be used when considering this. At the year end no impairment exists.

During the year no research and development expenditure was expensed through the Income Statement.

Business combinations and goodwill

Business combinations that are not common control transactions are accounted for using the acquisition method of accounting under IFRS 3. The cost of acquisition is the consideration given in exchange for control over the identifiable assets, liabilities and contingent liabilities of the acquired company. This consideration includes cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. Contingent consideration arrangements are included in the cost of acquisition at fair value. Management judgement is required to assess facts and circumstances existing at the Statement of Financial Position date which indicate the ability to meet the conditions of the arrangements. The value of consideration is assessed in line with these judgements. Changes in the fair value of assets acquired, liabilities assumed and the value of contingent consideration that the Group recognises after the acquisition date as the result of additional information about facts and circumstances that existed at the acquisition date are considered measurement period adjustments. In accordance with IFRS 3, adjustments are recognised to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Increases and decreases resulting from the above are recognised by means of an increase and decrease in goodwill. Comparative information for prior periods presented in the Financial Statements is amended as necessary.

Changes resulting from additional information in relation to circumstances occurring after the acquisition date are not measurement period adjustments. Changes that are not measurement period adjustments are recognised in the Income Statement in accordance with IAS 39.

Directly attributable transaction costs are expensed in the current period and reported within general and administration expenses unless these relate to the issue of debt or equity. Issue costs are taken directly against the debt or equity issued.

The acquired net assets, being the identifiable assets, liabilities and contingent liabilities are initially recognised at fair value.

Negative goodwill arising on acquisitions represents a gain on purchase. In accordance with IFRS 3 this constitutes an economic gain which is immediately recognised in the Income Statement.

Positive goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognised in the Income Statement under "other revenue".

Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Plant and equipment in progress is not depreciated. Depreciation is recognised when plant and equipment is substantially ready for use.

Land and buildings are measured at cost less accumulated depreciation on buildings and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the useful life of the assets.

Depreciation is classified as operating expenses in the Income Statement.

Upon disposal, or when no future economic benefit is expected from an item of property, plant or equipment, any gain or loss arising is included in the Income Statement. The amount is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

Non current assets held for sale

Non current assets are classified as held for sale where:

- its carrying amount will principally be recovered through a sale transaction rather than continuing use;
- management are committed to sell the asset;
- the asset is available for sale in its present condition; and
- the sale is more likely than not.

Note 2 - Accounting Principles (continued)

These assets are held at the lower of their carrying amount or fair value less costs to sell. No depreciation is provided on assets after they are classified as held for sale. These assets are subject to regular impairment reviews.

Government grants

Government grants are deducted from the carrying amount of the asset to which they relate and are recognised as income through reduced depreciation of the asset.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.

If any such indications exist, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cashflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future pre-tax cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are classified as earnings before interest and tax (EBIT) in the Income Statement.

A previously recognised impairment loss is reversed only if there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the Income Statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Leasing

Leases that largely transfer rights and obligations to the Group (financial leasing) are capitalised as property, plant and equipment, and the financial obligations are entered as other long term debt. Other lease expenses are treated as operational leasing costs and presented as operating expenses in the Income Statement.

Leased items that are recorded in the Statement of Financial Position are subject to depreciation according to the useful life of the asset and the leasing liabilities are reduced with the leasing fees paid, after deduction of interest.

Inventory

Inventories comprise eggs, feed, packaging materials and finished goods.

Inventories of goods are stated at the lower of cost and net realisable value.

The cost of processed goods is a full production cost that includes direct material and personnel costs, and a percentage of indirect processing costs. Interest costs are not included in the value of inventory.

The cost price of purchased goods is the acquisition price. Cost is based on the first-in first-out principle.

Net realisable value is estimated sales price less selling expenses.

Biological assets (Biomass)

Biological assets (fish) are measured at fair value less costs to sell, in line with IAS 41 and IFRS 13.

In order to estimate the fair value of live fish, management apply an income approach valuation model based on estimated revenues from the market price of harvested fish, reduced for ongrowing, harvesting, gutting and freight costs to market in order to arrive at a fair value less costs to sell for the Group. This model assesses each farming site individually for the key assumptions of growth and survival. The model also reflects anticipated harvesting weight and variances in expected quality grades for each farm site. Juvenile fish under 1kg are measured at cost less losses, being the best estimate of fair value on those fish.

Market prices are derived from the most recent contracts entered into by the Group and adjusted Norwegian quoted prices (from Fishpool). Future costs, growth rates, survival rates, anticipated harvest weights and quality grades are derived from the Group's harvesting and production data and financial budgets for 2018.

The change in estimated fair value is charged to the Income Statement and is reported separately from the related cost of the biomass when harvested. Accumulated direct and indirect production costs for fish harvested are classified as costs of goods sold whereas the change in the fair value adjustment is recognised on a separate line called "fair value adjustment on biomass".

Note 2 - Accounting Principles (continued)

Fixed-price contracts
The Group holds long term sales contracts related to salmon products. These contracts do not contain any element of embedded derivatives and are therefore not treated as financial instruments. The contracts are settled based exclusively on the assumption that reception or delivery of salmon products should take place. The contracts are not tradeable, generally run for 6 to 12 month periods and are approximately aligned to the calendar year.

Provisions are made for fixed price contracts that oblige the Group to sell fish at a price lower than the calculated fair value of the biomass.

Trade receivables
Trade receivables do not carry any interest and are stated at amortised cost reduced by appropriate allowances for estimated irrecoverable amounts.

Other receivables
Other receivables consist of prepayments and sundry debtors and are carried at amortised cost.

Cash and cash equivalents
Cash and short term deposits in the Statement of Financial Position comprise cash at hand and in banks and short term deposits which without significant currency risk can be converted to cash within three months. For the purpose of the Consolidated Statement of Cashflows, outstanding bank overdrafts are included in cash and cash equivalents.

Taxes
Taxes for the year in the Income Statement comprise income taxes on the taxable profit for the year, changes in deferred taxes and adjustments to tax payable in respect of prior periods. Taxes on transactions that are recorded directly to equity are recognised respectively within equity.

Income tax payable is calculated using the nominal tax rate at the Statement of Financial Position date.

Deferred tax is calculated at the rate substantively enacted on the basis of temporary differences between accounting and taxation values at the Statement of Financial Position date and that applies to the period when such temporary differences are expected to unwind. Temporary differences related to goodwill that are not tax deductible are not taken into consideration when calculating deferred taxes. Deferred tax assets arise from temporary differences that give rise to future tax deductions. Deferred tax assets are only recognised in the Statement of Financial Position if it is likely that it can be utilised directly or by netting a deferred tax liability.

Tax increasing and tax decreasing timing differences are offset against each other to the extent that the taxes can be netted within one tax regime.

Defined contribution pension plans
Obligations to make payments to pension schemes that are contribution plans are expensed when they occur. The employer has no obligations under these pension schemes other than making regular payments according to agreement.

Provisions for liabilities
A provision is recognised in the accounts if the Group has a legal or constructive obligation related to a past event and it is likely that the obligation will lead to a financial loss for the Group. Provisions for restructuring are recorded only if the Group has authorised specific plans and commitments to carry out the restructuring. No provision is made for future operating losses. Long term provisions are valued based on discounted expected cashflows.

Contingent assets and liabilities
A contingent asset is not recognised in the Financial Statements but is disclosed when a possible asset arises from past events whose existence will be confirmed only by uncertain future events not wholly within the control of the entity and the inflow of economic benefits is assessed as probable at the date of the Statement of Financial Position.

A contingent liability is not recognised in the Financial Statements but is disclosed when an obligation arises from past events whose existence will be confirmed only by uncertain future events not wholly within the control of the entity; or an obligation arises from past events but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Exceptional items
Exceptional items are those items which are separately identifiable by virtue of their size or incidence to allow a full understanding of the underlying performance of the Group.

Restructuring costs
Costs associated with exit or disposal activities, including certain employee severance costs associated with internal restructuring, plant closing or other activity, are recognised when they are incurred.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting.

Share based payments
The Group implemented a share option scheme during 2015. A payroll expense is recognised over the vesting period in the Income Statement to record the cost of the equity settled transaction, based on the fair value of the award at the grant date. The cumulative expense is recognised within other equity.

Note 3 - Accounting Estimates and Judgements

The Group makes estimates and assumptions regarding the future. Actual results may differ from these estimates.

The estimates and judgements which are most significant for the Group are listed below.

Impairment testing of licences, goodwill and other intangible assets

The Group performs an annual impairment test of goodwill, farming licences and other intangible assets as described in the accounting principles. The recoverable amount for the cash generating units is calculated based on a going concern assumption within the Group.

All intangible assets are allocated to cash generating units. The impairment test is based on a discounted cashflow model per cash generating unit (which for the Group is a farming region basis). The cashflows used represent management's best estimates at the time of calculation.

In the cashflow models, the use of estimates is a central element. The calculations are based on assumptions in relation to sales prices, production costs, harvest volumes and their development in the future. The assumptions used are based on the approved 2018 budget, a further 3 years of long term projections for the Group and a terminal value. This takes in two farming cycles for each region in the model.

As a greater degree of reliability can be placed on costs, the model is highly dependent on salmon price market developments.

The model is also affected by a number of parameters such as long term growth in demand, competitive situation and behaviour, and expectations concerning long term profit margins. These different parameters can have different significance for the licence values over time.

Changes in these assumptions could cause corresponding impairments, or reversal of impairments, in the licence values and goodwill.

Further information in respect of impairment testing can be seen in Note 14 to the Group Financial Statements.

Biological assets (Biomass)

Significant estimates and judgements are made in relation to the fair value of biological assets under IAS 41 - Agriculture and in relation to volume of biological assets at the year end.

In respect of fair value, these estimates cover assumptions in relation to quality, salmon price, growth rates, sizes, volumes, survival rates, costs, and exchange rates all of which are uncertain in nature.

Estimated profit or losses at the reporting date may differ considerably from the final recorded profit or loss at the time of the sale.

The fair value adjustment has no impact on cashflow and does not impact operating results before fair value adjustment. Further information can be found in Note 2 and in Note 17 to the Group Financial Statements.

The very nature of salmon farming means that the volume of biological assets in the sea at each reporting period is itself an estimate. However, the Group grades and performs sample counts on all sites. Furthermore, all deviations between expected volumes and actual harvests are measured and reviewed. In general, unless there has been significant disease issues causing higher than normal mortality rates or a period of restricted handling, uncertainty levels are typically low.

Volume deviations can impact on the fair value adjustment of biomass as volume of fish at sea is an input into the fair value valuation model.

Development costs

The Group reviews each year whether the recognition requirements for development costs have been met. Careful judgement is required when determining whether the criteria has been met, specifically in relation to the future economic success of any development project. Judgements are based on the information available at each reporting date. All internal activities related to the research and development are continuously monitored by management throughout the year.

Note 4 - Consolidated Entities

The Consolidated Financial Statements include the following companies:

	Country	Ownership %	Function
Parent company			
The Scottish Salmon Company PLC	Jersey		Parent company
Subsidiaries			
The Scottish Salmon Company Limited	Scotland	100%	Salmon farming
Salmon Finance (Scotland) Ltd	Scotland	100%	Group finance
Lighthouse Caledonia AS	Norway	100%	Dormant
Lighthouse Caledonia Ltd	Scotland	100%	Dormant
West Minch Salmon Ltd	Scotland	100%	Dormant
Atlantic West Salmon Company Ltd	Scotland	100%	Dormant
Sidinish Salmon Ltd	Scotland	100%	Dormant
Hebridean Salmon (Scotland) Ltd	Scotland	100%	Dormant
Scottish Smoked Salmon Ltd	Scotland	100%	Dormant
Hebridean Smoked Salmon Ltd	Scotland	100%	Dormant
Hebrides Harvest (Scotland) Ltd	Scotland	100%	Dormant
Loch Fyne Salmon (Scotland) Ltd	Scotland	100%	Dormant
Loch Fyne Salmon Ltd	Scotland	100%	Dormant
Loch Fyne Smoked Salmon Ltd	Scotland	100%	Dormant
Murray Seafoods Ltd	Scotland	100%	Dormant
Corrie Mohr Salmon Ltd	Scotland	100%	Dormant
Minnamurra Ltd	Scotland	100%	Holding
Fjord Seafood Scotland Farming Ltd	Scotland	100%	Dormant
Pieters UK Ltd	Scotland	100%	Holding
Fjord Seafoods Scotland Ltd	Scotland	100%	Dormant
Highland Fish Farmers Ltd	Scotland	100%	Dormant
Mull Salmon Ltd	Scotland	100%	Dormant
Kenmore Salmon Farms Ltd	Scotland	100%	Dormant
Loch Ness (Lachs) Ltd	Scotland	100%	Dormant
Portree Salmon Farmers Ltd	Scotland	100%	Dormant
Pulford (Scotland) Ltd	Scotland	100%	Dormant
Scotfish Farms Ltd	Scotland	100%	Dormant
Sea Catch PLC	Scotland	100%	Dormant
Tobson Fish Farms Ltd	Scotland	100%	Dormant

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid. As at 1 January 2017 and 31 December 2017 the cost of these group undertakings was £nil.

All dormant and holding companies are exempt from audit by virtue of applicable company law in their country.

Note 5 - Segment Information

A segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. The Group's core business activity is organised as one business segment - fish farming operations. All products, production processes, customers and distribution methods are similar within this segment. This is based on the Group's management and internal reporting structures and represents the level at which financial information is reported for strategic decisions. Apart from the Group's investment in its associate undertaking, the Group as a whole is the only reportable segment.

The Group's investment in its associate is independent of the Group's core business activities, as it relates wholly to value added processing operations. Information in respect of the Group's associate can be found in Note 15 to the Group Financial Statements and this does not form part of its core operating segment. There are no other revenues, profits, assets or operations which relate to this.

All of the Group's non current assets are based in Scotland.

The table below presents the operating income for the Group split by main geographical markets.

Customer location	2017 (£'000s)	% share	2016 (£'000s)	% share
UK	75,486	50%	62,997	57%
Europe	66,254	44%	43,801	40%
North America	6,468	4%	1,178	1%
Rest of World	2,738	2%	1,945	2%
Total	**150,946**	**100%**	**109,921**	**100%**

The following external customer individually makes up more than 10% of the Group's revenue for the current year or prior year.

	2017 (£'000s)	% share	2016 (£'000s)	% share
Customer 1	31,727	21.01%	19,594	17.83%

Note 6 - Salaries and Related Costs

	2017 (£'000s)	2016 (£'000s)
Breakdown of Payroll Expenses		
Wages and salaries	16,127	13,713
National insurance contributions	1,590	1,302
Pension expenses	696	597
Total salaries and expenses	**18,413**	**15,612**
Average Number of Employees	**502**	**480**
Closing Number of Employees	**510**	**498**

In 2017 a profit share, including national insurance, of £1.4m (2016: £nil) was paid to employees.
The pension plan covers all of the employees and provides pension benefits upon retirement.

Note 7 - Remuneration to Key Personnel

Key personnel are, in addition to the Board of Directors, employees that have been or are part of Executive Management of The Scottish Salmon Company Limited and have had substantial influence in important decision making processes for the Group.

Executive Management have individual contracts that regulate salaries, bonuses, post-employment benefits and termination benefits. They were remunerated from The Scottish Salmon Company Limited throughout the year to 31 December 2017.

Salary and other benefits paid 2017

	2017 Salary & benefits (£'000s)	2017 Discretionary performance based bonus (£'000s)	2017 Discretionary company profit share (£'000s)	2017 Share based payment (£'000s)	2017 Pension (£'000s)	2017 Gross Remuneration (£'000s)
Craig Anderson	175	47	82	52	16	372
Fiona Larkin	151	39	69	48	14	321
Salary and other benefits paid 2017 to Management	**326**	**86**	**151**	**100**	**30**	**693**

Salary and other benefits paid 2016

	2016 Salary & benefits (£'000s)	2016 Discretionary performance based bonus (£'000s)	2016 Discretionary company profit share (£'000s)	2016 Share based payment (£'000s)	2016 Pension (£'000s)	2016 Gross Remuneration (£'000s)
Craig Anderson	171	24	-	86	10	291
Fiona Larkin	147	30	-	-	8	185
Salary and other benefits paid 2016 to Management	**318**	**54**	**-**	**86**	**18**	**476**

Note 7 - Remuneration to Key Personnel (continued)

The Board of Directors' Statement regarding Remuneration of Executive Management

The payments referred to in the previous table give the correct incentive in accordance with the Group's intentions regarding growth and profitability, as well as providing a good working environment.

Executive Management are neither entitled to overtime payment nor to receiving substantial payment in kind. The total remuneration is intended to be competitive, thus enabling the Group to attract and retain the most competent individuals.

The main principles for remuneration in 2017 will be retained in 2018.

The Group operates an Employee Equity Incentive Scheme for selective employees. All share options are to be settled by physical delivery of shares.

During the year the Board of Directors authorised the grant of 429,187 share options to Fiona Larkin, Chief Financial Officer of The Scottish Salmon Company Limited.

A total of 1,169,390 options have been granted to Executive Management. One third of share options become vested and may be exercised on each of the 1st, 2nd and 3rd anniversary of the granting of the share options. Options must be exercised within 5 years of this date. The fair value of the services received in return for share options granted is based on the fair value measured using the Black Scholes Model. The financial impact to the Income Statement for 2017 was £100,000 (2016: £34,000).

The Board has also practised a profit share scheme for the Group's managers and staff. The scheme has consisted of lump sum payments and has been practised at the Board's discretion.

Amendments to the salary and other forms of remuneration for Executive Management, together with the granting of bonus payments, shall be discussed and determined by the Remuneration Committee in conjunction with the Board.

The Group has established a defined contribution group pension scheme for all employees. This is in accordance with the local country's pension regulations that govern the trading entity. Contributions in respect of Executive Management amounted to £30,000 (2016: £18,000).

There are no loans to employees.

Remuneration to Board of Directors

The Group paid the following Directors' fees in respect of services:

	2017	2016
Robert M Brown III	£66,000	£60,000
Viacheslav Lavrentyev	£27,500	£25,000
Merete Myhrstad	£27,500	£25,000
Philip Smith – resigned 28 June 2016	-	£18,125
Martins Jaunarajs	£27,500	£25,000
Douglas Low – appointed 1 November 2016	£27,500	£4,167

Note 8 - Expenses

Other operating expenses

	2017 (£'000s)	2016 (£'000s)
Administration and commercial costs	3,673	3,878
Other harvesting and processing costs	4,492	4,033
Total	**8,165**	**7,911**

Other harvesting and processing costs includes the cost of goods, materials and industrial service costs associated with running these departments.

Audit fees

2017	2017 Parent Company (£'000s)	2017 Subsidiaries (£'000s)	2017 Total (£'000s)
Audit services	46	52	98
Audit related assurance services	4	-	4
Other services non-audit related	-	11	11
Total fees for 2017	**50**	**63**	**113**

2016	2016 Parent Company (£'000s)	2016 Subsidiaries (£'000s)	2016 Total (£'000s)
Audit services	46	52	98
Audit related assurance services	14	-	14
Other services non-audit related	-	14	14
Total fees for 2016	**60**	**66**	**126**

Note 8 - Expenses (continued)

Operating leases

Operating leases (excluding wellboat costs) expensed in the year to the Income Statement were £0.8m (2016: £1.4m). Wellboat lease costs expensed in the year to the Income Statement were £7.0m (2016: £5.0m).

At the end of 2017, the Group had future operating lease commitments as follows:

	2017 (£'000s)	2016 (£'000s)
Payable within one year	8,690	9,385
Payable over two to five years	25,530	25,539
Payable after five years	1,117	7,184

Further lease payments are payable to the Crown Estate for the lease of the seabed at each seawater site. Future payments in relation to these are contingent on the amount of fish harvested. Payments in respect of the current year amounted to £0.6m. Based on the anticipated harvest for next year, payments are expected to be £0.6m in 2018.

Note 9 - Specification of Financial Items

	2017 (£'000s)	2016 (£'000s)
Interest expenses	(1,136)	(1,598)
Net interest	**(1,136)**	**(1,598)**
Exchange gains	3130	1,358
Exchange losses	(3,817)	(1,802)
Other financial expenses	(427)	(166)
Fair value gain / (loss) on forward currency contracts	798	(626)
Total other financial expenses	**(316)**	**(1,236)**
Total net financial items	**(1,452)**	**(2,834)**

Note 10 - Taxes

	2017 (£'000s)	2016 (£'000s)
Consolidated Income Statement		
Current income tax:		
UK corporation tax	4,167	(208)
Deferred income tax	1,016	397
Income tax expense (credit) / expense reported in the Consolidated Income Statement	**5,183**	**189**
Reconciliation between Statutory and Effective Tax Rate:		
Accounting profit / (loss) before income tax	29,318	9,100
At statutory income tax rate of 19.25% (2016: 20%)	19.25%	20%
Tax calculated with statutory tax rate	**5,643**	**1,820**
Expenses not deductible for tax purposes (permanent differences)	333	6
Other permanent differences	351	396
Difference in tax rates	-	(836)
Other adjustments	(1,021)	-
Impact of deferred tax rate change	(110)	(1,087)
Adjustments to tax in respect of previous periods	(13)	(110)
Total income tax expense reported in the Consolidated Income Statement	**5,183**	**189**
Tax (credit) reported in the Consolidated Statement of Other Comprehensive Income		
Deferred Income tax relating to cashflow hedges	(28)	(316)
Total Tax (credit) reported in the Consolidated Statement of Other Comprehensive Income	**(28)**	**(316)**
Taxes (Payable) / Receivable in the Consolidated Statement of Financial Position		
Income taxes shown in the Statement of Financial Position	(1,372)	484
Total Taxes in the Consolidated Statement of Financial Position	**(1,372)**	**484**
Specification of Basis for Deferred Tax / Tax Assets		
Tax / reducing temporary differences		
Non-current assets	23,963	22,564
Current assets	25,895	25,800
Other liabilities	(2,018)	(2,947)
Unutilised tax losses carried forward	-	(5,727)
Total temporary differences (net)	**47,840**	**39,690**
Calculated deferred tax effective rate 17% (2016: 18%)	(8,133)	7,144
Deferred tax / (liability) in the Consolidated Statement of Financial Position	**(8,133)**	**(7,144)**

Maturity of Tax Losses

Tax losses carried forward have no time limitation but can only be offset against future trading profits from the same trade.
All historic tax losses were applied against tax profits in the year.

	2017	2016
Tax Rates Applied		
Country		
Scotland	19.25%	20.00%

Note 11 - Earnings per Share

	No. of shares	
	2017	**2016**
Shares in issue 31 December 2017 and 31 December 2016	193,482,271	193,482,271

	2017	**2016**
A) Profit in the year	£24,135,000	£8,911,000
B) Number of shares in The Scottish Salmon Company PLC	**193,482,271**	**193,482,271**
C) Weighted average number of shares in issue during the year	**193,482,271**	**193,482,271**
D) Weighted average number of shares adjusted for the effect of dilution	**194,651,661**	**194,222,417**
Earnings per share		
Basic earnings per share	12.47p (£0.12)	4.61p (£0.05)
Diluted earnings per share	12.40p (£0.12)	4.61p (£0.05)

The average diluted number of shares is affected by the number of share options granted under the Employee Equity Incentive Scheme.

Note 12 - Property, Plant and Equipment

2017	Land, buildings and property (£'000s)	Sea cages, plant and equipment (£'000s)	Ships and boats (£'000s)	Other assets (£'000s)	Total 2017 (£'000s)
Acquisition cost at 1 January	**11,233**	**66,802**	**8,204**	**4,332**	**90,571**
Additions	-	318	225	12,399	12,942
Re-allocations	-	9,605	1,164	(10,769)	-
Disposals in the year	(42)	(1,233)	(83)	(13)	(1,371)
Acquisition cost at 31 December	**11,191**	**75,492**	**9,510**	**5,949**	**102,142**
Accumulated depreciation and write-downs as of 1 January	**(6,647)**	**(39,173)**	**(5,062)**	**(482)**	**(51,364)**
Depreciation in the year	(404)	(6,684)	(642)	(241)	(7,971)
Accumulated depreciation and write-downs of disposed assets	42	1,075	55	12	1,184
Accumulated depreciation and write-downs as of 31 December	**(7,009)**	**(44,782)**	**(5,649)**	**(711)**	**(58,151)**
Net Book Value as of 31 December	**4,182**	**30,710**	**3,861**	**5,238**	**43,991**

2016	Land, buildings and property (£'000s)	Sea cages Plant and equipment (£'000s)	Ships and boats (£'000s)	Other assets (£'000s)	Total 2016 (£'000s)
Acquisition cost at 1 January	**11,345**	**66,961**	**7,859**	**2,769**	**88,934**
Additions	-	301	-	7,666	7,967
Re-allocations	-	5,639	464	(6,103)	-
Disposals in the year	(112)	(6,099)	(119)	-	(6,330)
Acquisition cost at 31 December	**11,233**	**66,802**	**8,204**	**4,332**	**90,571**
Accumulated depreciation and write-downs as of 1 January	**(6,238)**	**(38,080)**	**(4,660)**	**(329)**	**(49,307)**
Depreciation in the year	(411)	(6,959)	(514)	(153)	(8,037)
Impairment in the year	-	(233)	(7)	-	(240)
Accumulated depreciation and write-downs of disposed assets	2	6,099	119	-	6,220
Accumulated depreciation and write-downs as of 31 December	**(6,647)**	**(39,173)**	**(5,062)**	**(482)**	**(51,364)**
Net Book Value as of 31 December	**4,586**	**27,629**	**3,142**	**3,850**	**39,207**

Included within other assets in 2017 are assets in the course of construction amounting to £6.1m (2016: £3.3m) on which no depreciation is charged.

Included within property, plant and equipment are grants received in prior years amounting to £0.5m in relation to the capital expenditure with regards to the Group's Marybank processing facility in the Western Isles of Scotland. These are being released in line with depreciation rates of those assets to which it relates. The conditions of the grant funding shall continue for a period of between 5 years from the date of last payment of the grant to 10 years from the project completion date. A breach of conditions during this time could require the grant to be repaid.

Included within property plant and equipment additions in 2017 assets acquired during the acquisition of the trade and assets of a freshwater site from Sunbeam Aquaculture Ltd.

Impairment tests for specific fixed assets are performed when there are indications of impairment. Impairment losses recognised in 2017 amount to £nil (2016: £nil).

(1) assets depreciated over 10-25 years (2) assets depreciated over 3-20 years (3) assets depreciated over 4-10 years
(4) assets depreciated over 3-5 years Land is not depreciated.

Note 13 - Intangible Assets

2017	Goodwill (£'000s)	Farming licences (£'000s)	Other intangible assets (£'000s)	Total (£'000s)
Acquisition cost as of 1 January	**2,164**	**22,251**	**1,361**	**25,776**
Additions	-	371	558	929
Disposals	-	-	-	-
Acquisition cost as of 31 December	**2,164**	**22,622**	**1,919**	**26,705**
Accumulated impairment as of 1 January	**-**	**-**	**-**	**-**
Impairment charge	-	(227)	-	(227)
Accumulated impairment as of 31 December	**-**	**(227)**	**-**	**(227)**
Net Book Value as of 31 December	**2,164**	**22,395**	**1,919**	**26,478**

2016	Goodwill (£'000s)	Farming licences (£'000s)	Other intangible assets (£'000s)	Total (£'000s)
Acquisition cost as of 1 January	**2,164**	**22,251**	**-**	**24,415**
Additions	-	-	1,361	1,361
Disposals	-	-	-	-
Acquisition cost as of 31 December	**2,164**	**22,251**	**1,361**	**25,776**
Accumulated impairment as of 1 January	**-**	**-**	**-**	**-**
Impairment charge	-	-	-	-
Accumulated impairment as of 31 December	**-**	**-**	**-**	**-**
Net Book Value as of 31 December	**2,164**	**22,251**	**1,361**	**25,776**

The Group considers that all licences held have an indefinite useful life. As such, no licences are subject to amortisation but are instead tested annually for impairment. Included within licences additions in 2017 are licenses arising from the aquisition of the trade and assets of Sunbeam Aquaculture Ltd.

Other intangible assets includes capitalised development costs.

Note 14 - Impairment Testing

During the year the carrying amount of a region has been reduced to its recoverable amount through recognition of an impairment loss against farming licences. This loss has been included in Earnings before interest and tax (EBIT) in the Income Statement.

Other than disclosed, there are no indications of impairment in goodwill and intangible assets as at 31 December 2017.

The Group tests intangible assets for impairment at least once a year by assessing the net present value of the estimated future cashflows for the cash generating unit and comparing this with the book value of all assets held by the cash generating units. Cash generating units are determined on a regional basis and include licences, goodwill and specific property, plant and equipment. At the year end, the Group had 22 separate regions and each region contained one or more licences within it.

If book value is higher than the calculated net present value then an assessment of fair value less costs to sell is subsequently made for licences and property, plant and equipment. Book values are written down to the higher of fair value less costs to sell or value in use.

The determination of a need for an impairment write down is identified by calculating a value based on the continued operation of the cash generating unit and discounting the future estimated cashflow. The estimated cashflow is based on the Group's forecasted results and margins, including the necessary capital expenditure to meet the anticipated harvest volumes. The assumptions used represent management's best estimate and are based on past experience and internal information held by the Group.

Each amount of intangible asset allocated on a regional basis is less than 10% of the total carrying value of intangible assets. As such the Group does not consider there to be any one significant region.

The key assumptions used are:

Harvest Volumes (1)	Budgeted harvest volumes on current licences
Salmon price (2)	Budgeted price of salmon in 2018
Production costs (3)	Budgeted production costs for 2018
Capital expenditure (4)	Capital expenditure necessary to meet budgeted harvest volumes
Budget period (5)	4 years
Discount rate (6)	5% (pre tax)
Growth rate (7)	1.4%

(1) Harvest volumes were estimated on a region by region basis using production and harvest plans for the next cycle adjusted for expected volumes on current licences held.

(2) The calculation is highly influenced by expected developments in the price of salmon. For the basis of the impairment test management have utilised their budgeted prices for 2018. Long term sales contracts are between 50-60% of superior fish volume in 2018 which gives a degree of certainty over these prices. Spot prices budgeted have been estimated based on future market indications of price at the date of carrying out the impairment testing. The same assumption has been applied across all cash generating units.

(3) A key assumption in the calculation is the cost of production. Budgeted production costs for 2018 on a region by region basis have been utilised for the impairment test. These are based on historical data taking into account known changes and anticipated developments in factors, such as the price of feed.

(4) The budgeted capital expenditure necessary to meet the forecast harvest volumes take into consideration current operating capacity.

(5) The basis for the estimated cashflow is the confirmed budgets for 2018 and the forecasting plan for the following three years. In the calculation, cashflows beyond the three year period are extrapolated using the estimated growth rate. The same assumption has been applied across all cash generating units.

(6) A pre tax Weighted Average Cost of Capital (WACC) employed of 5% has been used for discounting in this impairment review. The same assumption has been applied across all cash generating units.

(7) The growth rate utilised is based on expected inflationary growth in the UK beyond the period of forecasting. The same assumption has been applied across all cash generating units.

As a result of the value in use impairment testing carried out. two regions were identified with a book value in excess of the net present value of their future cashflows. As such, they were valued on a fair value basis using a market approach.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of the cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This estimate is determined on a licence consent basis utilising available information includinq past experience and known recent industry transactions.

On this basis, an impairment of £227k on one of the regions was considered to have occurred. Accordingly, this has been recognised as an impairment charge in the financial statements. This would be considered a level 3 fair value measurement under the fair value hierarchy.

Sensitivities

As part of the impairment testing, a sensitivity analysis was carried out for each remaining cash generating unit. Management consider that sales price and discount rate are key driving factors and the analysis was carried out on these assumptions.

Sales price

On six regions, a fall in budgeted salmon price by 10% would result in the net present value falling below book value (assuming all other factors remain the same). One of these regions was impaired during the year. The range of impairment would be subject to the subsequent assessment of the fair value less costs of disposal of licences, property, plant and equipment.

Discount factor

On any further regions, an increase in pre tax discount rate to 10% would not result in the net present value falling below book value (assuming all other factors remain the same).

As a result of the value in use impairment testing carried out, two regions were identified with a book value in excess of the net present value of their future cashflows. As such, they were valued on a fair value basis using a market approach.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of the cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This estimate is determined on a licence consent basis utilising available information including past experience and known recent industry transactions.

On this basis, an impairment of £227k on one of the regions was considered to have occurred. Accordingly, this has been recognised as an impairment charge in the financial statements. This would be considered a level 3 fair value measurement under the fair value hierarchy.

Note 15 - Investment in Associate Undertaking

During the year Northern Link Limited increased their proportion of share capital in Scottish Seafood Investments Limited ("SSI") through a partial conversion of their outstanding debt to equity. As a result, the Group owned 17.3% of the ordinary share capital and voting rights in SSI at the year end (33% prior to the transaction).

The Group considers that SSI is no longer an associate entity. As such, the Group has derecognised the associate in the financial statements and recognised the retained interest in SSI as a financial asset at fair value through profit and loss. As the Group's share of losses exceeded its interest in SSI, the Group considers that the fair value of the financial asset is £nil upon recognition and at the year end.

SSI is an investment vehicle, registered in Jersey, which owns the majority interest in two value added seafood processing groups, Associated Seafoods Limited Group (76%) and Loch Fyne Oysters Limited Group (100%). Neither Group is publicly listed and both are principally located in Scotland.

Note 16 - Inventory

	2017 (£'000s)	2016 (£'000s)
Raw materials	2,554	2,097
Finished goods	27	20
Inventory	**2,581**	**2,117**

Raw materials include eggs, feed, broodstock and packaging materials.

Note 17 - Biological Assets

	2017 (£'000s)	2016 (£'000s)
Book value of live fish	64,775	47,474
Book value of smolt	4,231	6,893
Total book value of biological assets	**69,006**	**54,367**
Fair value adjustments on biological assets in the Consolidated Statement of Financial Position		
The Scottish Salmon Company Limited	26,094	25,800
Total fair value adjustment in the Consolidated Statement of Financial Position	**26,094**	**25,800**
Total value of biological assets in the Consolidated Statement of Financial Position	**95,100**	**80,167**
Reconciliation of changes in value of live fish		
Opening fair value of live fish at 1 January	**80,167**	**68,646**
Fair value adjustment at 1 January	(25,800)	(14,538)
Fair value adjustment at 31 December	26,094	25,800
Net fair value adjustment taken to Consolidated Income Statement	**294**	**11,262**
Increase due to purchases and capitalisation of costs	102,341	78,801
Decreases due to harvests	(74,914)	(69,900)
Decreases due to mortalities and culls	(17,019)	(15,535)
Fair value of live fish at 31 December	**90,869**	**73,274**
Book value of smolt	4,231	6,893
Fair value of live fish	90,869	73,274
Total value of biological assets in the Consolidated Statement of Financial Position	**95,100**	**80,167**
Volumes of biological assets (in tonnes)		
Volume of biological assets harvested during the year (GWT)	25,272	24,342
Volume of biological assets in the sea at year end (LWT)	16,472	15,477
Split as follows:		
Juvenile fish < 1 kg	1,791	2,174
Harvestable fish > 1kg	14,681	13,304

Note 17 - Biological Assets (continued)

Valuation of biological assets

IAS 41 requires that biological assets are accounted for at estimated fair value net of selling and harvesting costs. Fair value is measured using the income approach, in accordance with IFRS 13, and is categorised into level 3 in the fair value hierarchy as the inputs include unobservable inputs.

Valuation model

The valuation under the income approach is completed based on a valuation model. This begins with forecasting revenues by estimating the fair value of ready to harvest fish, based on market prices. Whilst there is no clear defined published market price for Scottish farmed salmon, the Group considers the development in its contract and spot prices, and utilises future published prices for Norwegian salmon as a base price and applies an uplift to cover the average historic Scottish premium.

The valuation model is then completed for each site individually taking into account the following unobservable inputs on forecasted costs:

- volume of fish in the sea
- growth rates
- survival rates
- ongrowing costs including feed costs and feed conversion ratios
- harvesting costs
- gutting costs
- freight costs

These inputs also take into account any specific factors (such as disease) on a regional basis.

The forecasted costs are then deducted from the forecasted revenues after allowing for a regional adjustment for quality and size distribution, to calculate an expected cashflow for each site at farm gate. This is then discounted using the WACC to a net present value per site.

Sensitivity analysis is then performed on the valuation model with changes to sales price, survival rates and ongrowing costs taken into account. These are considered by the Group to be the key unobservable inputs which would impact the valuation model significantly. The weighted average results from the model are then taken to determine the estimated fair value of biological assets.

In the Financial Statements, the gains and losses from the change in estimated fair value are recorded separately in the Income Statement in the line "Fair Value Adjustment on Biomass".

No fair value adjustment is made for juvenile fish, less than 1kg, or for smolt. These are carried at acquisition or production cost as a fair value adjustment would not be reliable at that stage of growth.

Sensitivities

The valuation model by its nature is based upon uncertain assumptions on sales price, quality growth, survival etc and whilst the Group has a degree of expertise in these assumptions they are subject to change.

Interrelationships exist between all unobservable inputs. For example, a change in the volume of fish in the sea would impact the volume of fish harvested and thus estimated harvesting and freight costs.

Furthermore, relatively small changes in assumptions have a significant impact on the valuation. For example, a 10p per kg rise in sales price would increase the valuation of biological assets by £2,100,000.

Note 18 - Receivables

	2017 (£'000s)	2016 (£'000s)
Trade receivables	**18,785**	**12,625**
Prepayments and accrued income	1,492	1,618
Other receivables	1,414	1,894
Net other receivables	**2,906**	**3,512**
Total receivables	**21,691**	**16,137**

There was no provision made for bad debts at the year end (2016: £nil). There are no receivables due more than one year from the date of the Statement of Financial Position. All receivables denominated in foreign currencies are translated at the functional currency exchange rate ruling at the Statement of Financial Position date. Trade receivables can be split as follows:

			Not impaired as of the reporting date and past due in the following periods			
	Net receivable as of 31 December (£'000s)	Not past due (£'000s)	Less than 30 days (£'000s)	Between 30 and 60 days (£'000s)	Between 60 and 90 days (£'000s)	More than 90 days (£'000s)
Trade receivables 2017	**18,785**	**12,622**	**5,110**	**1,053**	**-**	**-**
Trade receivables 2016	12,625	8,103	3,645	877	-	-

Trade receivables past due but not impaired relate to customers for whom there is no recent history of default. As such, these are not considered to be impaired.

The Group's exposure to currency and credit risk in respect of trade receivables is disclosed in Note 27.

Note 19 - Cash and Cash Equivalents

	2017 (£'000s)	2016 (£'000s)
Cash at bank and in hand	**8,500**	**3,013**
Cash and Cash equivalents presented for Statement of Cashflows	**8,500**	**3,013**

Note 20 - Issued Capital and Other Equity

	2017	2016
Total number of shares	**193,482,271**	**193,482,271**
Nominal value as of 31 December	£0.09	£0.09
Share capital (total number of shares at nominal value) (£'000s)	**17,485**	**17,485**

There is only one class of ordinary share. There are no restrictions on voting rights. The authorised share capital of the Company is 300,000,000 shares of NOK 0.9.

Issued capital

	Number of Shares	Par Value	Share Capital (£'000s)	Share Premium Reserve (£'000s)
At 1 January 2017 and 31 December 2017	**193,482,271**	**NOK 0.9**	**17,485**	**64,028**

Cashflow Hedge Reserve

	Cashflow Hedge Reserve (£'000s	Total (£'000s)
At 1 January 2017	**(1,540)**	**(1,540)**
Other comprehensive income	(135)	(135)
At 31 December 2017	**(1,675)**	**(1,675)**

Other equity

	Other Capital Reserve (£'000s)	Retained Earnings (£'000s)	Discontinued Operations (£'000s)	Total (£'000s)
At 1 January 2017	**(36,366)**	**49,464**	**(916)**	**12,182**
Share based payment	100	-	-	100
Net earnings for the year	-	24,135	-	24,135
At 31 December 2017	**(36,266)**	**73,599**	**(916)**	**36,417**

Other equity consists of retained earnings from continuing operations, retained losses from discontinued operations and other capital reserves. Other capital reserves include amounts recognised from the restructure of the Group in 2010.

Note 20 - Issued Capital and Other Equity (continued)

Overview of the 20 largest shareholders as at 31 December 2017

SIX SIS AG	SWITZERLAND	139,350,386	
TEIGEN	NORWAY	8,000,000	
BNP PARIBAS SECURITIES SERVICES	FRANCE	7,334,134	
KONTRARI AS	NORWAY	3,104,804	
VPF NORDEA AVKASTNING	NORWAY	3,093,048	
VPF NORDEA KAPITAL	NORWAY	2,935,518	
SKANDINAVISKA ENSKILDA BANKEN AB	SWEDEN	2,564,828	
DZ PRIVATBANK S.A.	LUXEMBOURG	2,070,498	
CLEARSTREAM BANKING S.A.	LUXEMBOURG	2,041,037	
METZLER EURO SMALL + MICRO CAP	UNITED STATES	1,841,910	
MP PENSJON PK	NORWAY	1,628,232	
MELAND	NORWAY	1,474,503	
N-UCIT NORDEA PRIVATE BK NO AK PT	UNITED KINGDOM	1,381,333	
VERDIPAPIRFONDET NORDEA NORGE PLUS	NORWAY	1,358,648	
THE BANK OF NEW YORK MELLON N.V.	BELGIUM	874,831	
JOHANSEN	NORWAY	808,266	
NORDEA 1 SICAV	UNITED KINGDOM	734,838	
NORDNET BANK AB	SWEDEN	626,527	
Sub total		**181,223,341**	
OTHERS		12,258,930	
TOTAL SHARES		**193,482,271**	**100%**

SIX SIS AG is a custodian bank who holds shares on behalf of Northern Link Limited, the majority shareholder of the Group, as well as other shareholders. At 31 December 2017, Northern Link Limited held 133,125,109 shares (68.8%).

Shares owned by Board and Executive Management as at 31 December 2017

	Shares	Ownership	Voting right
Robert M Brown III (Chairman)	191,611	0.10%	0.10%
Merete Myhrstad (Board Member)	65,000	0.03%	0.03%
Craig Anderson (Chief Executive Officer)	50,000	0.03%	0.03%
Douglas Low (Board Member)	40,000	0.02%	0.02%
	346,611	**0.18%**	**0.18%**

Note 21 - Financial Instruments

Borrowings

	2017 (£'000s)	2016 (£'000s)
Long term bank loans	36,021	36,444
Long term interest bearing debt	**36,021**	**36,444**
Current element of other loans	-	237
Current element of bank loans	10,998	9,236
Short term interest bearing debt	**10,998**	**9,473**
Total interest bearing debt	**47,019**	**45,917**

Long term bank loans are the main source of financing for the Group. The Group has the following bank facilities available with Bank of Scotland:

1. a £30m Term Loan facility and a £30m asset-based lending (ABL) facility;
2. £30m of the Term Loan facility has been drawn down and is being repaid in quarterly instalments, amounting to £1.5m with the final payment due December 2022; and
3. £24.3m of the £30m ABL facility has been drawn down at the end of the year.

The bank facilities have a variable interest rate, which at the year end was 2.97%.

Repayment profile for borrowings

	Carrying amount (£'000s)	Issue costs (£'000s)	Contracted payments due on demand or less than 1 year (£'000s)	Contracted payments due in 1-2 years (£'000s)	Contracted payments due in 2-5 years (£'000s)
Bank loans	47,019	275	10,998	12,000	23,746
Total	**47,019**	**275**	**10,998**	**12,000**	**23,746**

Issue costs represent direct costs of raising finance.

Net Interest Bearing Debt

	2017 (£'000s)	2016 (£'000s)
Total interest bearing debt	47,019	45,917
Cash and cash equivalents	(8,500)	(3,013)
Net Interest Bearing Debt	**38,519**	**42,904**

Note 21 - Financial Instruments (continued)

Secured liabilities and guarantees given

The Group has granted a floating charge in favour of Bank of Scotland, as security over the bank loans and asset-based lending (ABL) facility.

Reconciliation of liabilities arising from processing activities

	1 January 2017 (£'000s)	Proceeds from Borrowings (£'000s)	Principal and Interest Repayments (£'000s)	Non Cash Changes: Interest Expense (£'000s)	31 December 2017 (£'00 05)
Total Interest Bearing Debt	45,917	5,695	(5,728)	1,135	47,019

Book value of assets pledged

	2017 (£'000s)	2016 (£'000s)
Tangible and intangible fixed assets	70,469	61,458
Inventory and biomass	97,681	82,284
Cash	8,500	3.013
Receivables	18,785	16,621
Total assets pledged as security	**195,435**	**163,376**

The Group has not provided guarantees to third parties as at 31 December 2017.

Loan Facility and Financial Covenants

The following financial covenants are applied to the loan facilities and are calculated on consolidated numbers and verified in a quarterly compliance certificate to be delivered together with annual and interim Financial Statements:

a) interest cover, defined as the ratio of EBITDA to finance charges and shall not be less than 3:1;

b) the gearing ratio covenant is the ratio of total net debt to shareholders equity and shall not exceed 1:1; and

c) gross asset cover is defined as the ratio of total assets to total net debt and cannot be less than 2.5:1.

Note 22 - Financial Liabilities at Fair Value through Profit and Loss

Derivative Financial Instruments

Interest rate swaps, currency forward contracts and salmon derivatives are valued at fair value and are categorised into level 2 in the fair value hierarchy using valuation techniques based on observable data. The fair value liability of derivative financial instruments amounted to:

	2017 (£'000s)	2016 (£'000s)
Financial derivatives designated for hedge accounting		
Currency swap	2,055	1,812
Interest rate swap	(37)	44
Sub total	**2,018**	**1,856**
Other financial derivatives		
Salmon derivatives	-	708
Forward currency contract	-	383
Sub total	**-**	**1,091**
Total derivative financial instruments	**2,018**	**2,947**

Currency and interest rate swaps designated for hedge accounting are recognised within Equity. All other derivatives are recognised within the Income Statement.

In 2016 the Group entered into arrangements to hedge interest rate and currency risk as detailed in Note 27 to these Financial Statements. The current hedging arrangement will expire in June 2021. The expected timing of the effect on the Income Statement is as follows:

	2017 (£'000s)	2016 (£'000s)
Expected timing of effect on Income Statement		
Within one year	538	412
Within one to five years	1,480	1,444
Total financial derivatives designated for hedge accounting	**2,018**	**1,856**

Note 23 - Categories of Financial Instruments

2017	Non-financial assets and liabilities (£'000s)	Financial assets and liabilities at fair value (£'000s)	Financial assets and liabilities at amortised cost (£'000s)	Total (£'000s)
Licences	22,377	-	-	22,377
Research & Development	1,937	-	-	1,937
Goodwill	2,164	-	-	2,164
Property, plant and equipment	43,991	-	-	43,991
Inventory	2,581	-	-	2,581
Biological assets	95,100	-	-	95,100
Trade receivables	-	-	18,785	18,785
Other receivables	1,813	-	1,093	2,906
Cash and cash equivalents	-	-	8,500	8,500
Total assets	**169,963**	**-**	**28,378**	**198,341**
Equity	116,255	-	-	116,255
Deferred taxes	8,133	-	-	8,133
Long term interest bearing bank debt	-	-	36,021	36,021
Other long term debt	-	1,480	200	1,680
Short term interest bearing bank debt	-	-	10,998	10,998
Trade payables	-	-	15,460	15,460
Other short term liabilities	5,665	538	2,219	8,422
Current taxes	-	-	1,372	1,372
Total equity and liabilities	**130,053**	**2,018**	**66,270**	**198,341**

Note 23 - Categories of Financial Instruments (continued)

2016	Non-financial assets and liabilities (£'000s)	Financial assets and liabilities at fair value (£'000s)	Financial assets and liabilities at amortised cost (£'000s)	Total (£'000s)
Licences	22,251	-	-	22,251
Research & Development	1,361	-	-	1,361
Goodwill	2,164	-	-	2,164
Property, plant and equipment	39,207	-	-	39,207
Inventory	2,117	-	-	2,117
Biological assets	80,167	-	-	80,167
Trade receivables	-	-	12,625	12,625
Other receivables	2,444	-	1,068	3,512
Current taxes	-	-	484	484
Cash and cash equivalents	-	-	3,013	3,013
Total assets	**149,711**	**-**	**17,190**	**166,901**
Equity	92,155	-	-	92,155
Deferred taxes	7,144	-	-	7,144
Other long term liabilities	-	1,444	-	1,444
Long term interest bearing bank debt	-	-	36,444	36,444
Short term interest bearing bank debt	-	-	9,236	9,236
Other short term debt	-	-	237	237
Trade payables	-	-	13,108	13,108
Other short term liabilities	4,823	1,503	807	7,133
Total equity and liabilities	**104,122**	**2,947**	**59,832**	**166,901**

Note 24 - Fair Values

	Book value (£'000s)	Carrying value (£'000s)	Category Level 2 (£'000s)	Category Level 3 (£'000s)
Non financial assets				
Biological assets	69,006	95,100	-	95,100
Financial liabilities				
Financial derivatives designated for hedge accounting	-	2,018	2,018	-
Other financial derivates	-	-	-	-

See Note 17 for details of biological assets held at fair value. The Group considers this to be a recurring measurement using a level 3 valuation method.

The Group considers its financial derivatives to be a recurring measurement using level 2 valuation method. See Note 22 for further details.

The value of all other financial assets and liabilities included in the Financial Statements are considered to be a reasonable approximation of fair value.

Note 25 - Trade Payables

All payables denominated in foreign currencies are translated at the functional currency exchange rate ruling at the Statement of Financial Position date.

	Net payable as of 31 December (£'000s)	Not past due (£'000s)	Less than 30 days (£'000s)	Between 30 and 60 days (£'000s)	Between 60 and 90 days (£'000s)	More than 90 days (£'000s)
Trade payables 2017	**15,460**	**5,854**	**6,202**	**3,369**	**35**	**-**
Trade payables 2016	13,108	6,253	3,685	3,138	3	29

Note 26 - Other Long and Short Term Liabilities

Long Term Liabilities

	2017 (£'000s)	2016 (£'000s)
Other creditors	200	-
Financial derivatives designated for hedge accounting	1,480	1,444
Total other long term liabilities	**1,680**	**1,444**

Note 26 - Other Long and Short Term Liabilities (continued)

Short Term Liabilities

	2017 (£'000s)	2016 (£'000s)
Accruals and deferred income	5,665	4,823
Other taxes and social security costs	1,025	442
Other creditors	200	-
Financial derivatives designated for hedge accounting	538	412
Other financial derivatives	-	1,091
Finance lease liabilities	994	365
Total other short term liabilities	**8,422**	**7,133**

Note 27 - Financial Risk Management

Financial risk is assessed by Executive Management in conjunction with the Board of Directors.

The Group primarily manages its operations and will support its future growth strategy by raising finance through equity and long and short term bank borrowings. Whilst the Group has utilised financial derivatives during the year, no speculative treasury transactions are entered into. Other financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, trade payables and trade receivables.

The Group is exposed to a variety of financial risks in respect of these, which are assessed below.

Currency risk

The Group is financed almost exclusively in its home currency (GBP) and the majority of business transactions are carried out using this as the transaction currency. However, the Group is exposed to foreign exchange risk in a number of currencies, namely EUR, USD, and NOK and is aware of the impact that changes in exchange rates may have on its competitiveness within the industry. To this end, the Group has entered into forward currency contracts to manage exposure to other currencies. Further details on the Group's use of forward currency contracts can be seen in Note 22 of the Financial Statements.

It is the Group's policy to hedge known foreign currency transactions, ensuring certainty of GBP income and expenditure for these transactions.

At 31 December 2017, net interest bearing debt, trade payables and trade receivables had the following currency structure:

	Total (£'000s)	GBP (£'000s)	NOK (£'000s)	EUR (£'000s)	USD (£'000s)
Trade receivables	18,785	13,194	-	5,953	329
Trade payables	(15,460)	(15,385)	(62)	(13)	-
Net interest bearing debt	(38,519)	(40,287)	302	1,310	156

Net interest bearing debt in non GBP relates to cash held at 31 December 2017 in foreign currencies.

On the basis of the above, a 10% variation in the exchange rate for GBP against EUR, USD and NOK would result in additional gains/losses of £728,000 recognised in the Income Statement.

Note 27 - Financial Risk Management (continued)

Currency risk in respect of commodity pricing is detailed further below.

Interest rate risk

The Group's risk arises principally from its bank borrowings, as the Group has no interest bearing assets other than cash and cash equivalents. The interest rate on bank loans is determined by reference to the market rate and is adjusted on a quarterly basis. To hedge against exposure in interest rates, the Group has entered into an interest rate swap agreement. Further details on the swap agreement can be found in Note 22 to these Financial Statements.

In the year to 31 December 2017, if interest rates on all borrowings had been 1% higher, additional losses of £243,000 would have been recognised in the Income Statement.

Credit risk

The Group is exposed to credit risk from its operating activities, namely its trade receivables. This risk is mitigated through the use of credit insurance for all trade receivables coupled with the Group's credit verification procedures before accepting new customers. The credit insurance covers all non-associated companies and the aggregate exposure in any one year is £50,000. In 2017 the Group agreed a new credit insurance policy where each customer is covered for losses in excess of £25,000 in any year. There were no bad debts in 2017.

Liquidity risk

The Group is continuously monitoring liquidity through monthly updated budgets, long term cashflow projections and quarterly rolling forecasts to ensure that the Group has sufficient liquidity to meet its operational liabilities and banking covenants.

Harvest volumes, traditionally, have been lower through Q3 in any given year as a result of many markets reducing their requirements due to holidays. Cashflow through this period can be challenging, however, with the Groups current banking facilities, this allows flexibility with working capital, by using the asset based lending facilities to utilise the available cash when it is needed, maximising efficiencies within cashflows.

At 31 December 2017, the Group's total exposure to liquidity risk was as follows:

	Total (£'000s)	< 1 year (£'000s)	1-5 years (£'000s)	> 5 years (£'000s)
Non derivative financial liabilities				
Bank borrowings	47,019	10,998	36,021	-
Trade payables	15,460	15,460	-	-
Other short term liabilities	7,884	7,884	-	-
Total exposure to liquidity risk	**70,363**	**34,342**	**36,021**	**-**

Note 27 - Financial Risk Management (continued)

Commodity price risk

The spot price of farmed salmon impacts on the future financial results of the Group and the Group is exposed to both global changes in demand and global and local changes in supply. Furthermore, as the spot price of farmed salmon in Europe is predominantly based on externally quoted market prices in NOK or Euros, the Group is also exposed to currency volatility in respect of spot price. The Group's exposure is mitigated by entering into fixed price and volume contracts for its salmon products. These contracts do not contain any element of embedded derivatives and are therefore not treated as financial instruments. The contracts have typical durations of between 6 months and 1 year and are settled based exclusively on the assumption that reception or delivery of salmon products should take place. The contracts are not tradable.

To augment the Group's customer contracts, it has also entered into salmon derivatives to hedge exposure to quoted market prices and entered into a financial hedge on its Euro spot sales.

The traded price of Scottish farmed salmon is forecast to remain strong as a result of continued global demand against short supply. These market dynamics are expected to continue through 2018 and 2019. The Group has contracted between 50-60% of its superior fish volume for 2018.

A 10p per kg swing in the spot price of farmed salmon could impact revenue by circa £2.1m.

The Group is also exposed to the fluctuations in feed price. Feed prices are dependent on the marine and agricultural commodity prices of the ingredients. The Group is trying to mitigate these risks by investing in sourcing strategies, building up strong working relationships with its supply chain partners, reviewing its raw material basket and improving the utilisation of feed to the production of fish.

Environmental and biological risk

The Group is exposed to risks arising from adverse environmental and climatic changes. Disease, algae blooms, sea water temperatures etc all have an impact on the fish at sea. All of these impact growth rates, mortalities, fish quality, treatments required and ultimately impacts the cashflow of the business. The Group's geographical locations mean that there is an element of protection on a region by region basis against adverse conditions such as disease outbreaks and the Group is looking to further mitigate this risk by working proactively and collaboratively with other industry players to initiate innovative health monitoring programmes, treatment strategies and research.

The importance of environmental and food safety standards remains high at a local, national and international level and the industry is under constant scrutiny. The Group complies with all licences and consents, policies and regulations as overseen by the Scottish Environment Protection Agency (SEPA) (and enshrined in legislation through the Aquaculture & Fisheries Bill) and operates best practice in terms of farm husbandry.

Capital management

There were no changes to the Group's capital management objectives in 2017. The Group's objective is to ensure that the level of capital in the Group is appropriate for the scale of operations and suitable for a fish farming business of this size after taking into account its future growth strategy. The Group considers capital in this respect to be equity plus its long term bank debt and at the year end this amounted to £152,276,000 combined. This is monitored on an ongoing basis in order to maintain a suitable capital structure relevant to its operations and intentions and one which will maximise the value to shareholders.

The Group monitors capital on the basis of its equity ratio. The Group believes that the current ratio is sufficient to fulfil its objectives for capital management.

Note 28 - Transactions with Associates

Set out below are details of transactions with Associates which in the opinion of the Directors are material to the Group.

Transactions with associate entities	2017 (£'000s)	2016 (£'000s)
Revenue	16,429	12,869
Purchases	(55)	(183)
Trade receivables*	3,771	3,220
Trade payables	(12)	-

* The Group holds security over £2.3m of trade receivables at the year end. Other amounts outstanding are unsecured. All amounts are due to be settled in cash.

Details of party related transactions with key management personnel and the Board of Directors are given in Note 7 of the Financial Statements.

Note 29 - Events after the Statement of Financial Position date

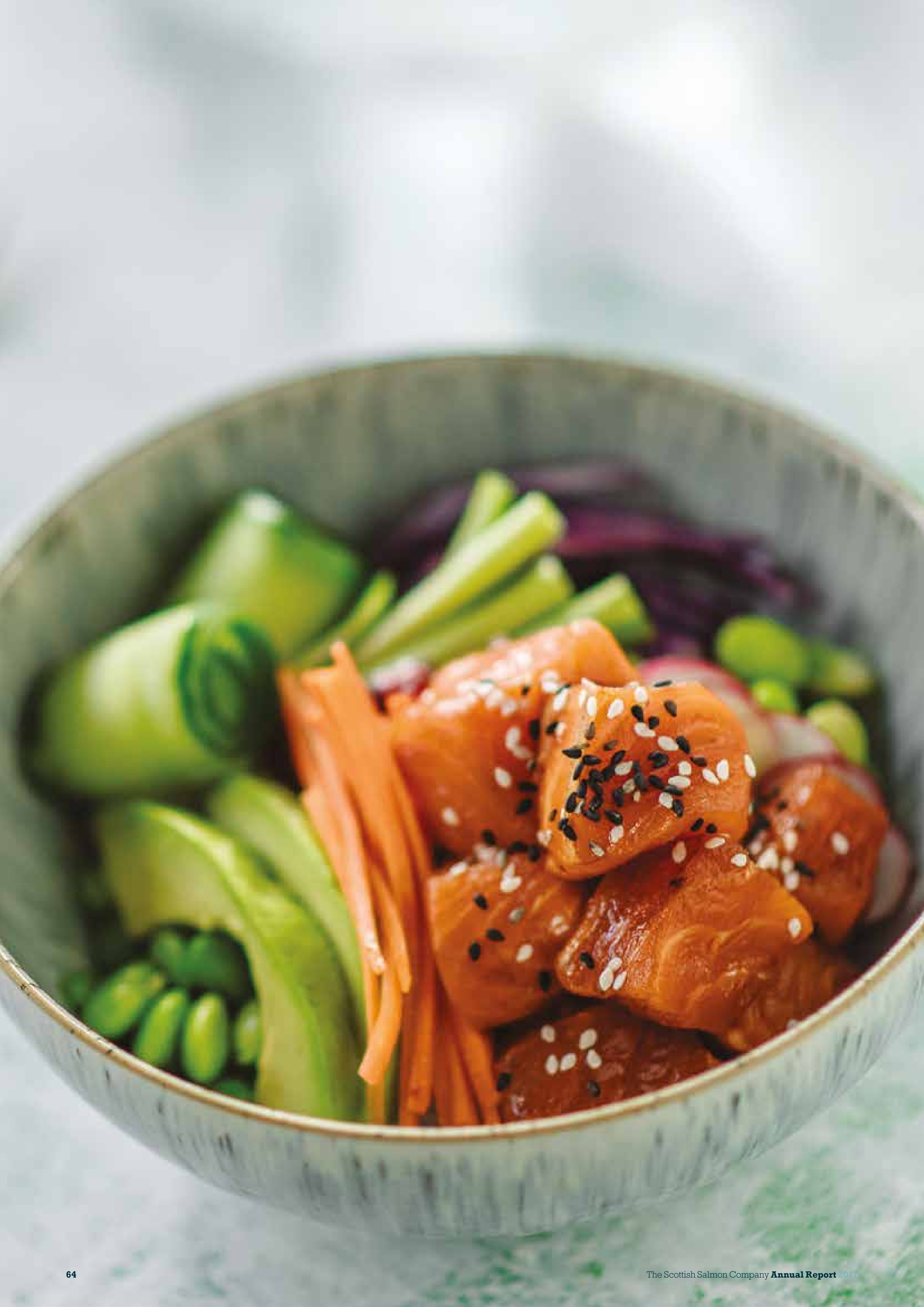
No events after the Statement of Financial Position date.

Note 30 - Commitments

At 31 December 2017, the Group had capital commitments amounting to £4.1m capital investment at new martine sites.

Note 31 - Contingencies

The legal action raised in 2012 against Trouw (UK) Limited is ongoing with nothing further to report.



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The Scottish Salmon Company PLC
Statement of Comprehensive Income

	Note	2017 (£'000s)	2016 (£'000s)
Other revenue		101	80
Total revenue		**101**	**80**
Other operating expenses	2	(382)	(260)
Earnings before interest and taxes (EBIT)		**(281)**	**(180)**
Interest income	3	4,324	4,360
Interest expense		(1)	(1)
Earnings before taxes (EBT)		**4,042**	**4,179**
Taxes		-	-
Net earnings for the period		**4,042**	**4,179**
Other comprehensive income		-	-
Total comprehensive income for the period		**4,042**	**4,179**

The Scottish Salmon Company PLC Statement of Financial Position

	Note	2017 (£'000s)	2016 (£'000s)
Non-current assets			
Investments in subsidiaries	4	65,633	20,633
Held to maturity investments	6	6,700	-
Investment in associate undertaking	5	-	-
Non current financial assets	5	-	-
Total non-current assets		**72,333**	**20,633**
Current assets			
Held to maturity investments	6	-	43,600
Other receivables	7	-	9
Other short term intercompany receivables	7	215	3,991
Cash and cash equivalents		29	26
Total current assets		**244**	**47,626**
Total assets		**72,577**	**68,259**
Equity			
Share capital	8	17,485	17,485
Share premium	8	64,028	64,028
Other equity	8	(9,322)	(13,464)
Total equity		**72,191**	**68,049**
Current liabilities			
Other short term liabilities	7	13	-
Other short term intercompany payables	7	373	210
Total current liabilities		**386**	**210**
Total liabilities		**386**	**210**
Total equity and liabilities		**72,577**	**68,259**

20 February 2018

Robert M Brown III
Chairman

Douglas Low
Board Member

Martins Jaunarajs
Board Member

Merete Myhrstad
Board Member

Viacheslav Lavrentyev
Board Member

The Scottish Salmon Company PLC
Statement of Cashflows

	2017 (£'000s)	2016 (£'000s)
Operating activities		
Earnings before interest and taxes	(281)	(180)
Change in payables and receivables	284	198
Net cashflow from operating activities	**3**	**18**
Net change in cash and cash equivalents	3	18
Cash and cash equivalents opening balance	26	8
Cash and cash equivalents as of 31 December	**29**	**26**

Statement of Changes in Equity

	Issued Capital (£'000s) Note 8	Share Premium Reserve (£'000s) Note 8	Retained Earnings (£'000s) Note 8	Merger Reserve (£'000s) Note 8	Total Equity (£'000s) Note 8
Equity as of 1 January 2017	**17,485**	**64,028**	**5,082**	**(18,546)**	**68,049**
Owner changes for the year recognised directly in equity:					
Share based payment	-	-	100	-	100
Comprehensive income:					
Net earnings for the year	-	-	4,042	-	4,042
Equity as of 31 December 2017	**17,485**	**64,028**	**9,224**	**(18,546)**	**72,191**

	Issued Capital (£'000s) Note 8	Share Premium Reserve (£'000s) Note 8	Retained Earnings (£'000s) Note 8	Merger Reserve (£'000s) Note 8	Total Equity (£'000s) Note 8
Equity as of 1 January 2016	**17,485**	**64,028**	**817**	**(18,546)**	**63,784**
Owner changes for the year recognised directly in equity:					
Share based payment	-	-	86	-	86
Comprehensive income:					
Net earnings for the year	-	-	4,179	-	4,179
Equity as of 31 December 2016	**17,485**	**64,028**	**5,082**	**(18,546)**	**68,049**

Note 1 - General Information and Accounting Principles

The Scottish Salmon Company PLC is a company incorporated in Jersey, on 6 November 2009. It is domiciled in Jersey and its registered office is 43/45 La Motte Street, St Helier, Jersey, Channel Islands JE4 8SD. The Scottish Salmon Company PLC is the parent company of The Scottish Salmon Company Group.

The Annual Accounts of The Scottish Salmon Company PLC comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cashflows, Statement of Changes in Equity and Notes. The accounts are presented in GBP, the Company's functional currency and represent the separate Financial Statements of the Company.

The Annual Accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS) and the IFRIC interpretations adopted by the International Accounting Standards Board (IASB and the EU).

The Annual Accounts have been prepared on a going concern basis, as detailed in Note 2 in the Group Annual Accounts.

For details of accounting policies used, reference is made to Note 2 in the Group Annual Accounts. Overall the accounting principles used in the Group Accounts for The Scottish Salmon Company are the accounting principles used for the Company's Annual Accounts. Any variations in principles are described below.

Revenue recognition

Other revenue represents Group charges and is measured at the fair value of the consideration received or receivable and represents amounts for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Interest income is accrued on a time basis.

Taxes

The Scottish Salmon Company PLC is subject to taxation at corporate tax rate of 0% in Jersey. No charge arises on capital gains in Jersey.

Investments in subsidiaries

Investments in subsidiaries are recorded in accordance with the cost method, though reduced for impairment. This is evaluated by considering the expected cashflow of the subsidiary. Where there are indications of impairment on the investment these are charged to the Statement of Comprehensive Income. Subsidiaries are those entities in which the Company has a direct or indirect controlling influence. A controlling influence normally exists if a party directly or indirectly owns more than 50% of the voting capital in the controlled entity. Recently acquired subsidiaries are included from the time a controlling interest is obtained.

Investments in associates

Investments in associates are recorded in accordance with the cost method, though reduced for impairment. This is evaluated by considering the expected cashflow of the associate. Where there are indications of impairment on the investment these are charged to the Statement of Comprehensive Income. Associates are entities over which the Company has significant influence, but not control over the financial and operating policies of the investee.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company intends and is able to hold to maturity. These are measured at amortised cost. Any differences between acquisition cost and redemption value are accounted for over the borrowing period by using the effective interest method.

Pension costs and obligations

The Scottish Salmon Company PLC does not have any employees or other personnel who are entitled to a pension, hence, no obligations are reflected.

Note 2 - Other Operating Expenses

	2017 (£'000s)	2016 (£'000s)
Financial and legal assistance	156	42
Board member fees and other sundry fees	226	218
Total other operating expenses	**382**	**260**

Remuneration to Board of Directors

The Group paid the following Directors' fees in respect of services to the Parent Company:

	2017	2016
Robert M Brown III	£66,000	£60,000
Viacheslav Lavrentyev	£27,500	£25,000
Merete Myhrstad	£27,500	£25,000
Philip Smith – resigned 28 June 2016	-	£18,125
Martins Jaunarajs	£27,500	£25,000
Douglas Low – appointed 1 November 2016	£27,500	£4,167

Note 3 - Finance Income

	2017 (£'000s)	2016 (£'000s)
Interest income (including interest income from subsidiaries)	4,324	4,360
Total finance income	**4,324**	**4,360**

Note 4 - Investments in Subsidiaries

	Shares (£'000s)	Capital contribution (£'000s)	Total 2017 (£'000s)
Opening cost and net book value	20,633	-	20,633
Additions	-	45,000	45,000
Closing cost and net book value	**20,633**	**45,000**	**65,633**

The company has the following subsidiary entities:

31 December 2017 and 31 December 2016	Country	Ownership %	Function
The Scottish Salmon Company Limited	Scotland	100%	Salmon Farming
Salmon Finance (Scotland) Ltd	Scotland	100%	Group Finance
Lighthouse Caledonia AS	Norway	100%	Dormant
Lighthouse Caledonia Ltd	Scotland	100%	Dormant
West Minch Salmon Ltd	Scotland	100%	Dormant
Atlantic West Salmon Company Ltd	Scotland	100%	Dormant
Sidinish Salmon Ltd	Scotland	100%	Dormant
Hebridean Salmon (Scotland) Ltd	Scotland	100%	Dormant
Scottish Smoked Salmon Ltd	Scotland	100%	Dormant
Hebridean Smoked Salmon Ltd	Scotland	100%	Dormant
Hebrides Harvest (Scotland) Ltd	Scotland	100%	Dormant
Loch Fyne Salmon (Scotland) Ltd	Scotland	100%	Dormant
Loch Fyne Salmon Ltd	Scotland	100%	Dormant
Loch Fyne Smoked Salmon Ltd	Scotland	100%	Dormant
Murray Seafoods Ltd	Scotland	100%	Dormant
Corrie Mhor Salmon Ltd	Scotland	100%	Dormant
Minnamurra Ltd	Scotland	100%	Holding
Fjord Seafood Scotland Farming Ltd	Scotland	100%	Dormant
Pieters UK Ltd	Scotland	100%	Holding
Fjord Seafoods Scotland Ltd	Scotland	100%	Dormant
Highland Fish Farmers Ltd	Scotland	100%	Dormant
Mull Salmon Ltd	Scotland	100%	Dormant
Kenmore Salmon Farms Ltd	Scotland	100%	Dormant
Loch Ness (Lochs) Ltd	Scotland	100%	Dormant
Portree Salmon Farmers Ltd	Scotland	100%	Dormant
Pulford (Scotland) Ltd	Scotland	100%	Dormant
Scotfish Farms Ltd	Scotland	100%	Dormant
Sea Catch PLC	Scotland	100%	Dormant
Tobson Fish Farms Ltd	Scotland	100%	Dormant

During the year the Group reorganised its intercompany debt as part of an internal finance restructure. As a result, £41.3m of loan notes and £3.7m of interest due from Group entities were forgiven resulting in a capital contribution of £45m.

Note 5 - Investment in Associate

	2017 (£'000s)	2016 (£'000s)
Opening cost	1,423	1,423
Disposal	(1,423)	-
Closing cost	-	(1,423)
Opening provisions	(1,423)	(1,423)
Released on disposal	1,423	-
Closing provision	-	(1,423)
Opening net book value	**-**	**-**
Closing net book value	**-**	**-**

During the year Northern Link Limited increased their proportion of share capital in Scottish Seafood Investments Limited ("SSI") through a partial conversion of their outstanding debt to equity. As a result, the Group owned 17.3% of the ordinary share capital and voting rights in SSI at the year end (33% prior to the transaction).

The Group considers that SSI is no longer an associate entity. As such, the Group has derecognised the associate in the financial statements and recognised the retained interest in SSI as a financial asset at fair value through profit and loss. As the Group's share of losses exceeded its interest in SSI, the Group considers that the fair value of the financial asset is £nil upon recognition and at the year end.

Note 6 - Held to Maturity Investments

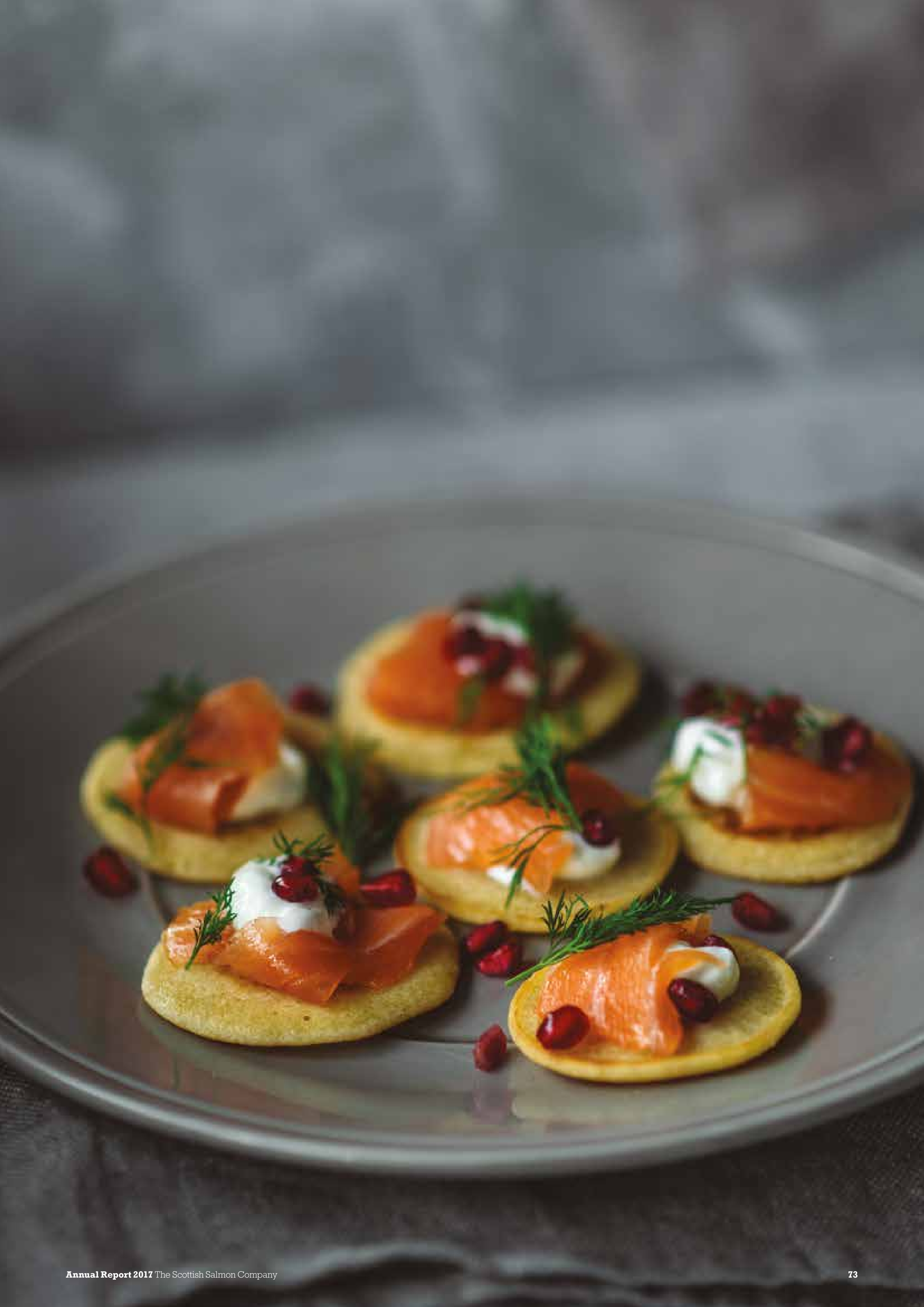
	(£'000s)
Opening cost	**43,600**
Additions / (Disposals)	(36,900)
Closing cost	**6,700**

Held to maturity investments relate to the issue of £6,700,000 fixed rate unsecured loan notes by Salmon Finance (Scotland) Limited to The Scottish Salmon Company PLC. The loan notes are listed on the Channel Islands Stock Exchange and are due to mature in 2021. Due to the date of maturity, the loan notes have been classified as a non-current asset at the year end.

During the year The Scottish Salmon Company PLC forgave loan notes totalling £45,000,000 due from Salmon Finance (Scotland) Limited. See Note 4 for further details.

Note 7 - Receivables and Payables

	2017 (£'000s)	2016 (£'000s)
Receivables		
Other receivables	-	9
Current intercompany receivables	215	3,991
Total receivables	**215**	**4,000**
Payables		
Accruals	13	-
Current intercompany payables	373	210
Total payables	**386**	**210**



Note 8 - Issued Capital and Other Equity

Issued capital

	31 December 2017	31 December 2016
Total number of shares	193,482,271	193,482,271
Nominal value as of 31 December	£0.09	£0.09
Share capital (total number of shares at nominal value) (£'000s)	17,485	17,485

There is only one class of ordinary share. The authorised share capital of the Company is 300,000,000 shares of NOK 0.9.

	Number of Shares	Par Value	Share Capital (£'000s)	Share Premium Reserve (£'000s)
At 1 January 2017 and 31 December 2017	**193,482,271**	**NOK 0.9**	**17,485**	**64,028**

Other equity

	Retained Earnings (£'000s)	Merger Reserve (£'000s)	Total (£'000s)
At 1 January 2017	**5,082**	**(18,546)**	**(13,464)**
Share based payment	100	-	100
Net earnings for the period	4,042	-	4,042
At 31 December 2017	**9,224**	**(18,546)**	**(9,322)**

Overview of the 20 largest shareholders as at 31 December 2017

Please refer to Note 20 of the Group Accounts on page 53.

Note 9 - Audit Fee

	2017 (£'000s)	2016 (£'000s)
Audit services for parent company and consolidation	46	46
Audit related assurance services	4	14
Total fees	**50**	**60**

Note 10 - Events after the Statement of Financial Position date

Please refer to the Group Annual Report for details in relation to events of the Group.

Note 11 - Financial Risk Management

The risk management, objectives and policies of the Company are aligned with that of the Group. Please refer to the Group Annual Report for details.

Note 12 - Related Party Transactions

	2017 (£'000s)	2016 (£'000s)
Intercompany balances		
Current intercompany (payables) with The Scottish Salmon Company Limited	(373)	(210)
Current intercompany receivables with Salmon Finance (Scotland) Limited	215	3,991
Interest income		
Salmon Finance (Scotland) Limited	4,324	4,360
Management fees		
The Scottish Salmon Company Limited	101	80

11 Directors' Responsibility Statement

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations. The Directors are required to prepare Group and Parent Company Financial Statements for each financial year. They are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis. 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 Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently:
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group and the Parent 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 its Financial Statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors are responsible for the preparation of the Board of Directors' Report and Corporate Governance Statement. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' declaration

We confirm that, to the best of our knowledge, the Financial Statements for the period 1 January to 31 D ecember 2017 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

20 February 2018

Robert M Brown III
Chairman

Douglas Low
Board Member

Martins Jaunarajs
Board Member

Merete Myhrstad
Board Member

Viacheslav Lavrentyev
Board Member

Independent Audit Report

Opinion on the financial statements

We have audited the Group and Parent Company financial statements (the financial statements) of The Scottish Salmon Company PLC for the period ended 31 December 2017 which comprise the following for the Group and Parent Company:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- The related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Parent Company financial statements give a true and fair view of the state of the Parent Company affairs as at 31 December 2017 and of the Parent Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

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 as applied to listed public interest entities, 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 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.

Key audit matters

Key audit matters are those which were of most significance during the audit of the financial statements for the current period. These matters were addressed during our audit of the financial statements in their entirety and when forming our audit opinion. We do not provide a separate opinion on these matters. For each matter, we have outlined a summary of our response as auditors.

Key audit matter	Description of key audit matter
Existence of biological assets	The nature of the business means that the volume of biological assets at sea at the year-end is an estimate due to difficulties in counting and observing biological assets in a way that does not compromise fish health. Material differences between estimated volume in the sea and actual volume could lead to errors in the value of biological assets in the financial statements.

Summary of auditor's response to key audit matter

In order to gain assurance over the existence of biological assets we:

- Conducted quarterly rotational site visits, verifying biological asset existence through sample checking and followed inputs through to the biological asset system;
- Reviewed the controls and processes in place regarding stocking, transfers, grading and harvesting;
- Reviewed the deviations throughout the year relating to estimated volumes against volumes harvested estimated volumes;
- Compared results of post year end harvests to estimated year end volumes to ensure year end estimates were reasonable;

Our procedures did not reveal any material deviations.

Key audit matter	Description of key audit matter
Valuation of IAS 41 fair value adjustment	Accounting for the fair value of biological assets under IAS 41 is a complex area subject to a number of inputs, significant estimates & judgements and is driven by a growth model to calculate the fair value adjustment. Incorrect assumptions or errors in the model could lead to the valuation of biomass being misstated in the financial statements.

Summary of auditor's response to key audit matter

Our testing focused around the fair value model. In assessing the model we:

- Reviewed its compliance with IFRS 13 and IAS 41;
- Checked that the information that formed the basis for the model agreed to the information held on Group's biological asset system;
- Tested the arithmetical accuracy of the model's calculations;
- Challenged management's assumptions on future sales prices, mortality and productions costs;
- Performed sensitivity analysis on management's assumptions;
- Reviewed individual CGU performance and cash flow forecasts to identify any indication of future losses or NRV issues.

Our procedures did not reveal any material deviations.

Key audit matter	Description of key audit matter
Impairment of licences and goodwill	The Group's licences and goodwill are subject to an annual impairment review. Where market prices are low or site costs are high there is a risk that certain sites may be impaired.

Summary of auditor's response to key audit matter

Management's impairment model was obtained. In assessing the model we:

- Checked the impairment model for arithmetical accuracy;
- Reviewed inputs to ensure that these were based on Board approved budgets;
- Reviewed the model's compliance with IAS 38;
- Challenged the assumptions and parameters employed in the impairment review to ensure that these were reasonable and appropriate to the business;
- Challenged management's sensitivity analysis by performing independent sensitivity analysis on selected assumptions and on selected CGUs;
- Assessed the adequacy of disclosures in the financial statements;

Our procedures did not reveal any material deviations.

Key audit matter	Description of key audit matter
Existence and valuation of research & development expenditure	As the point of cessation for capitalisation of development costs in respect of the Native Hebridean programme has yet to be defined, there is a risk that the costs capitalised do not meet the capitalisation criteria under IAS 38. Management deem the costs to have an indefinite useful life and, as such, the costs are not subject to amortisation and are reviewed for impairment annually. There is a risk that the asset is not perpetual due to potential advancements of others within the industry.

Summary of auditor's response to key audit matter

In order to gain assurance over the existence and valuation of research & development costs we:

- Considered the eligibility of development costs for capitalisation under IAS 38
- Reviewed management's impairment review of the development costs capitalised
- Checked the arithmetical accuracy of the model used for the impairment review
- Compared anticipated future cash flows to the book value of the intangible asset in order to quantify any impairment
- Considered the appropriateness of the development costs being designated as having an indefinite useful life

Our procedures did not reveal any material deviations.

Our application of materiality and an overview of the scope of our audit

Based on our professional judgement, we determined materiality for the Group financial statements as a whole at £1.45m.

This was determined through reference to benchmarks of Group profit before tax and Revenue. We reported any corrected or uncorrected misstatements greater than £0.07m to the audit committee as well as those which warranted reporting on qualitative grounds.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at a group level.

All of the Group's three active components were subjected to audit (The Scottish Salmon Company PLC, The Scottish Salmon Company Limited and Salmon Finance (Scotland) Limited). The remaining components of the Group are dormant entities. For these entities, we performed analysis at an aggregated group level to ensure that there was no significant risk of material misstatement within these. The three components subject to full audit account for 100% of the Group's Revenue, 100% of the Group's EBITDA, 100% of the Group's Total Assets and 100% of the Group's Equity.

No component auditors were instructed with all audit work carried out by the Group audit team.

Opinion on other matters prescribed by the Companies (Jersey) Law 1991

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.

Matters on which we are required to report by exception

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 confirm that we have nothing to report in this regard.

Companies (Jersey) Law 1991

We have nothing to report in respect of the following matters which the Companies (Jersey) Law 1991 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 or returns; or
- We have not received all the information and explanations we require for our audit.

Corporate Governance

We review whether the Statement of Corporate Governance reflects the Company's compliance with the fifteen provisions of the Norwegian Code of Practice for Corporate Governance, and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 76, 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.

Our 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.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 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.

Donald Boyd
For and on behalf of Campbell Dallas Audit Services
Titanium 1, King's Inch Place, Renfrewshire PA4 8WF
20 February 2018

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