FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

Clearwater Seafoods Incorporated ("**Clearwater**")

757 Bedford Highway

Bedford, Nova Scotia

B4A 3Z7

1.2 Executive Officer

For further information, please contact Tyrone Cotie, Treasurer at (902) 457-8181.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On October 30, 2015, Clearwater acquired all of the outstanding shares of Macduff Shellfish Group Limited ("**Macduff**"), a United Kingdom-based vertically integrated shellfish company (the "**Acquisition**"). Macduff is a private company limited by shares incorporated in Scotland.

2.2 Acquisition Date

October 30, 2015.

2.3 Consideration

The total fair value of the consideration paid or payable by Clearwater in connection with the Acquisition as of the closing was £81 million plus the repayment of Macduff outstanding debt facilities of £19 million and management fees of £1.6 million for a total of £102 million (CDN $206 million).

The fair value of the consideration of approximately £81 million is comprised of:

- cash paid on closing of £54 million (CDN $109 million);
- an unsecured deferred consideration obligation (“Deferred Obligation”) with a fair value of £20.9 million (CDN $42 million); and
- unsecured additional consideration to be paid in the future dependent upon the future financial performance of Macduff (“Earnout”) with an estimated fair value of £6.1 million (CDN $12 million).

Deferred Obligation

The Deferred Obligation applies to 33.75% of the shares acquired by Clearwater (the "Earn Out Shares") and will be paid over the next five to six years with a fair value of £20.9 million (CDN $42 million) as of the acquisition date.

In each year, the former holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout.

The Earnout

The Earnout is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid (refer to Deferred Obligation above). The estimated fair value of the Earnout is £6.1 million (CDN $12 million) and is assumed to be paid over the next five years.

The amount of the total Earnout is calculated as follows:

The greater of:

(i) £3.8 million; OR
(ii) up to 33.75% (dependent upon the percentage of Deferred obligation remaining unpaid each year) of the increase in equity value of the business over five years calculated as 7.5x adjusted EBITDA less the outstanding debt of MacDuff; and

(iii) 10% of adjusted EBITDA above £10 million (dependent upon the percentage of Deferred obligation remaining unpaid each year)

Clearwater financed the cash portion of the acquisition, the repayment of Macduff's outstanding debt facilities and the payment of management fees from existing cash resources and existing loan facilities, including a CDN $75 million increase in its Term Loan B facility, a CDN $25 million increase in its Revolving Loan Facility and CDN $23 million borrowing on its existing Revolving Loan Facility.

2.4 Effect on Financial Position

The effect of the Acquisition on Clearwater's financial position is outlined in the *pro forma* financial statements attached hereto as Schedule "A". Pro forma leverage is expected to decrease to below 4.0x by December 31, 2016. Clearwater expects to operate above its leverage target of 3.0x with the intention of returning to this goal over the course of two to three years.

Clearwater presently has no plans for material changes in the business or affairs of Macduff that may have a significant effect on the financial performance or financial position of Clearwater.

2.5 Prior Valuations

Not applicable.

2.6 Parties to Transaction

The Acquisition was not a transaction with an informed person, associate or affiliate of Clearwater.

2.7 Date of Report

February 5, 2016

Item 3 Financial Statements and Other Information

The following financial statements required by Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations* are included in this report:

1. Unaudited *pro forma* consolidated financial statements of Clearwater that give effect to the Acquisition, comprised of the unaudited *pro forma* condensed consolidated statement of financial position as at October 3, 2015, and the unaudited *pro forma* condensed consolidated statements of earnings (including earnings per share) for the financial year ended December 31, 2014 and for the 39 weeks ended October 3, 2015, together with the notes thereto, which are attached as Schedule "A" to this report.

2. Audited consolidated financial statements of Macduff as at September 30, 2015 and 2014, and for the years ended September 30, 2015 and 2014, together with the notes thereto, which are attached as Schedule "B" to this report. Johnston Carmichael LLP have not given their consent to the inclusion of their auditors' report on the financial statements in this report.

The following financial statements are incorporated by reference, and form part of this business acquisition report. These financial statements have been filed under Clearwater's SEDAR profile at www. sedar.com:

1. The audited annual consolidated financial statements of Clearwater as at and for the years ended December 31, 2014 and 2013. KPMG LLP have not given their consent to the inclusion of their auditors' report on the financial statements in this report.

2. The unaudited interim condensed financial statements of Clearwater as at and for the 13 week and 39 week periods ended October 3, 2015 and September 27, 2014.

<u>Non IFRS Measures</u>

This report makes reference to several non-IFRS measures. These measures are provided to enhance the reader's understanding of Clearwater's financial performance and explain the calculation of Deferred Consideration payments. They are included to provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and to provide a consistent basis for comparison between periods. These non-IFRS measures are not recognized measures under IFRS, and therefore they are unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to sales, earnings and cash provided by operating activities, non-IFRS measures are useful terms from which to determine Clearwater's ability to generate cash for investment in working capital, capital expenditures, debt service, income tax and dividends.

The non-IFRS measures referred to in this report include EBITDA, adjusted EBITDA and leverage. Refer to non-IFRS measures, definitions and reconciliations in Clearwater's Management Discussion and Analysis for further information.

Macduff's adjusted EBITDA for purposes of the Deferred Consideration payments will be calculated as set out in the instrument constituting earn out consideration loan notes dated October 30, 2015, a copy of which is filed on SEDAR under Clearwater's profile.

Adjusted EBITDA is defined as EBITDA excluding items such as severance charges, gains or losses on property, plant and equipment, gains or losses on quota sales, refinancing and reorganization costs. In addition recurring accounting gains and losses on foreign exchange (other than realized gains and losses on forward exchange contracts), have been excluded from the calculation of adjusted EBITDA. Unrealized gains and losses on forward exchange contracts relate to economic hedging on future operational transactions and by adjusting for them, the results more closely reflect the economic effect of the hedging relationships in the period to which they relate. In addition adjustments to stock based compensation have been excluded from adjusted EBITDA as they do not relate to the operations of the business.

Clearwater's leverage measure is based on Clearwater's share of adjusted EBITDA, debt and cash balances.

Commentary Regarding Forward-Looking Statements

This report contains "forward-looking information" as defined in applicable Canadian securities legislation. All statements other than statements of historical fact, included in this report, including, without limitation, statements relating to future payments of Deferred Consideration, financing of future payments, the impact of the Acquisition on Clearwater's financial position and financial performance, as well as expectations regarding leverage, constitute forward-looking information that involve various known and unknown risks, uncertainties, and other factors outside management's control. Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect including, but not limited to, Clearwater's ability to successfully integrate the business of Macduff as planned, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in such forward-looking information. Risk factors that could cause actual results to differ materially from those indicated by forward-looking information contained in this report include risks and uncertainties related to: (i) diversion of management time and attention on the Acquisition, (iii) any disruption from the Acquisition affecting relationships with customers, employees or suppliers, (iv) the timing and extent of changes in interest rates, prices and demand, and (iv) general worldwide economic conditions and related uncertainties. For additional information with respect to risk factors applicable to Clearwater, reference should be made to Clearwater's continuous disclosure materials filed from time to time with securities regulators, including, but not limited to, Clearwater's Annual Information Form.

The forward-looking information contained in this report was made as of the date of this report and Clearwater does not undertake to update publicly or revise the forward-looking information contained in this report, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

SCHEDULE "A"

Pro Forma Financial Statements of Clearwater

CLEARWATER SEAFOODS INCORPORATED

Unaudited Pro forma Condensed Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

	Clearwater as reported as at October 3, 2015	Macduff as at September 30, 2015	Proforma adjustments		Additional debt assumed	Proforma Consolidated
		NOTE 3(b)	NOTE 3(b), 5 & 6		NOTE 7	
ASSETS						
Current assets						
Cash	$ 46,043	$ 4,264	(146,663)	6(b)(i)	$ 122,085	$ 25,729
Trade and other receivables	80,893	19,659				100,552
Inventories	62,817	17,343	2,425	6(b)(ii)		82,585
Prepaids and other	4,382	-				4,382
Derivative financial instruments	2,840	111				2,951
	196,975	41,376	(144,238)		122,085	216,198
Non-current assets						
Long-term receivables	7,407	-				7,407
Other assets	429	2,943	12,381	6(b)(ii)		15,753
Property, plant and equipment	226,471	37,789	(3,715)	6(b)(iii)		260,545
Licenses and fishing rights	100,050	5,869	83,263	6(b)(ii)		189,182
Investment in equity investee	8,166	-				8,166
Deferred tax assets	15,413	-				15,413
Goodwill	5,638	54,487	(3,518)	6(b)(ii)		56,607
	363,574	101,088	88,411		-	553,073
TOTAL ASSETS	**$ 560,549**	**$ 142,464**	**(55,827)**		**$ 122,085**	**$ 769,271**
LIABILITIES						
Current liabilities						
Trade and other payables	$ 59,790	$ 13,685	(2,680)	6(b)(iv)		$ 70,795
Income tax payable	1,235	157				1,392
Current portion of long-term debt	19,117	105,398	(105,398)	6(b)(iv)		19,117
Derivative financial instruments	19,425	-				19,425
	99,567	119,241	(108,078)		-	110,730
Non-current liabilities						
Long-term debt	305,971		54,283	6(b)(v)	122,085	482,339
Other long-term liabilities	667	1,791				2,458
Deferred tax liabilities	994	2,193	17,206	6(b)(vi)		20,393
	307,632	3,985	71,489		122,085	505,191
SHAREHOLDERS' EQUITY						
						-
Share capital	155,895	29,484	(29,484)			155,895
Contributed surplus	363	-				363
Retained earnings	(26,262)	(10,246)	10,246			(26,262)
Cumulative translation account	(5,064)	-				(5,064)
	124,932	19,238	(19,238)		-	124,932
Non-controlling interest	28,418	-				28,418
	153,350	19,238	(19,238)		-	153,350
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$ 560,549**	**$ 142,464**	**(55,827)**		**$ 122,085**	**$ 769,271**

See the accompanying notes to the proforma financials

CLEARWATER SEAFOODS INCORPORATED

Unaudited Pro forma condensed consolidated statement of Earnings

(In thousands of Canadian dollars)

	Clearwater As reported for the 39 weeks ended October 3, 2015	Macduff for the 39 weeks ended September 30, 2015	Proforma adjustments		Proforma Consolidated
		NOTE 1 NOTE 3(b)	NOTE 6		
Sales	$ 339,442	$ 75,720	(4,407)	6(a)(ii)	$ 410,755
Cost of goods sold	250,354	60,157	(3,725)	6(a)(i),(ii)	306,786
	89,088	15,564	(682)		103,970
Administrative and selling costs	34,511	13,060			47,571
Net finance costs	43,102	4,862	166	6(a)(iii)	48,130
Losses on contract derivatives	24,077	-			24,077
Other income	591	(236)			355
Research and development	1,159	-			1,159
	103,440	17,686	166		121,292
Earnings (loss) before income taxes	(14,352)	(2,122)	(848)		(17,322)
Income tax expense	2,527	267	(605)	6(a)(iv)	2,189
Earnings (loss) for the period	(16,879)	(2,389)	(243)		(19,511)
Earnings (loss) attributable to:					
Non-controlling interest	13,670				13,670
Shareholders of Clearwater	(30,549)	(2,389)	(243)		(33,181)
	(16,879)	(2,389)	(243)		(19,511)
Basic earnings (loss) per share Note 6(a)(v)	(0.54)				(0.59)
Diluted earnings (loss) per share Note 6(a)(v)	(0.54)				(0.59)

See the accompanying notes to the proforma financials

CLEARWATER SEAFOODS INCORPORATED

Unaudited Pro forma condensed consolidated statement of Earnings

(In thousands of Canadian dollars)

	Clearwater as reported December 31, 2014	Macduff September 30, 2014	Proforma adjustments		Proforma Consolidated
		NOTE 3(b)	NOTE 6		
Sales	$ 444,742	$ 82,985	(6,872)	6(a)(ii)	$ 520,855
Cost of goods sold	341,908	61,644	(6,531)	6(a)(i),(ii)	397,021
	102,834	21,341	(341)		123,834
Administrative and selling costs	48,252	11,636			59,888
Net finance costs	37,829	4,257	1,216	6(a)(iii)	43,302
Losses on contract derivatives	4,047	-			4,047
Other income	(5,031)	(454)			(5,485)
Research and development	1,991	-			1,991
	87,088	15,439	1,216		103,743
Earnings (loss) before income taxes	15,746	5,901	(1,557)		20,090
Income tax expense	5,949	1,358	(911)	6(a)(iv)	6,396
Earnings (loss) for the period	9,797	4,543	(646)		13,694
Earnings (loss) attributable to:					
Non-controlling interest	12,702				12,702
Shareholders of Clearwater	(2,905)	4,543	(646)		992
	9,797	4,543	(646)		13,694
Basic earnings (loss) per share Note 6(a)(v)	(0.05)				0.02
Diluted earnings (loss) per share Note 6(a)(v)	(0.05)				0.02

See the accompanying notes to the proforma financials

1. **Basis of Presentation**

The accompanying unaudited pro forma condensed consolidated financial statements ("financial statements") of Clearwater Seafoods Incorporated ("Company" or "Clearwater") have been prepared to give effect to the acquisition of 100% of the shares of Macduff Shellfish Group Limited ("Macduff") by Clearwater which closed on October 30, 2015 ("Macduff Acquisition").

The unaudited pro forma condensed consolidated statements of earnings for the year ended December 31, 2014 and for the 39 week period ended October 3, 2015 combine the historical consolidated statements of earnings of Clearwater and Macduff to give effect to the acquisition as if it had occurred on January 1, 2014. The unaudited pro forma condensed consolidated balance sheet as at October 3rd, 2015 combines the historical consolidated balance sheets of Clearwater and Macduff to give effect to the acquisition as if it had occurred on October 3, 2015.

These financial statements also reflect the effect of CDN $123 million of additional borrowings by Clearwater on existing loan facilities to finance the Macduff acquisition.

In the opinion of management, the accounting policies used in the preparation of the unaudited pro forma consolidated balance sheet as at October 3rd, 2015, the unaudited pro forma consolidated statement of earnings for the 39 weeks ended October 3rd, 2015 and for the year ended December 31, 2014, include all the adjustments necessary for the fair presentation of the transaction in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and incorporate the significant accounting policies expected to be used to prepare the Company's consolidated financial statements.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position that would have prevailed and operating results that would have been obtained if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. The unaudited pro forma consolidated financial statements are not a forecast or projection of future results. The actual financial position and results of operations of Clearwater for any period following the closing of the Macduff acquisition will vary from the amounts set forth in the unaudited pro forma consolidated financial statements and such variation may be material.

The unaudited pro forma statement of earnings of Macduff for the 39 weeks ended September 30, 2015 has been constructed from the audited consolidated statement of profit and loss of Macduff for the year ended September 30, 2015 and removing the results of operations of Macduff for the 13 weeks ended December 31, 2014. The constructed statement of earnings has been prepared for the purpose of these pro forma financial statements and does not conform with the reporting period of the financial statements of Macduff included in this report.

These financial statements were based on and should be read in conjunction with the:

- Audited consolidated financial statements of Clearwater as at and for the year ended December 31, 2014 and the related notes;
- Audited consolidated financial statements of Macduff as at and for the year ended September 30, 2015 and the related notes; and
- Unaudited interim period condensed consolidated financial statements of Clearwater as at and for the 39 weeks ended October 3rd, 2015 and the related notes.

These financial statements have been prepared using the acquisition method of accounting in accordance with *IFRS 3 – Business combinations.* The purchase price calculation and the purchase price allocation are dependent upon finalization of the fair value estimates and assumptions as at the acquisition date and therefore, certain valuations are provisional and are subject to change. The purchase price allocation will reflect the fair value, at the purchase date, of the assets acquired and liabilities assumed based on Clearwater's evaluation of such assets and liabilities following the close of the transaction and, accordingly, the final purchase price allocation may differ significantly from the result herein.

The financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve, the costs to integrate the operations of Clearwater and Macduff or any costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

2. **Description of Transaction**

On October 30, 2015 Clearwater successfully completed the acquisition of the outstanding shares of Macduff Shellfish Group Limited ("Macduff") pursuant to the terms and conditions set forth in the share purchase agreement announced on October 9, 2015.

The fair value of total consideration on closing was £81 million plus the repayment of Macduff outstanding debt facilities of £19 million and management fees of £1.6 million for a total of £102 million (CDN $206 million).

The fair value of the consideration of approximately £81 million is comprised of:

- cash paid on closing of £54 million (CDN $109 million);
- an unsecured deferred consideration obligation ("Deferred Obligation") with a fair value of £20.9 million (CDN $42 million); and
- unsecured additional consideration to be paid in the future dependent upon the future financial performance of Macduff ("Earnout") with an estimated fair value of £6.1 million (CDN $12 million).

Refer to note 6(b)(v) for further information on the repayment of outstanding debt and the fair value of the Deferred Obligation and the Earnout.

(Amounts are in thousands of Canadian dollars unless otherwise stated)

The cash consideration of £54 million (CDN $109 million) and the repayment of the outstanding debt facilities and management fees of £1.6 million that were accrued and settled on closing for at total of £21 million (CDN $42 million) was financed with existing cash resources of CDN $29 million and the net proceeds of CDN $122 million from drawings on existing debt facilities. Refer to Note 7 for further information on existing debt facilities.

The amounts included in the pro forma adjustments in Note 4, 5 & 6 have been calculated as of October 3, 2015 and therefore will differ from the amounts noted at the acquisition date of October 30, 2015 due to additional debt assumed in the time period from October 3, 2015 to closing. The differences are as follows:

Transaction Bridge

	Estimated Preliminary Fair value as of October 30, 2015 in Sterling (£)		**Estimated Preliminary Fair value As of October 3, 2015 in Sterling (£) As per pro forma financials**
Cash paid to settle outstanding shareholder loans	28,228	(486)	27,742
Cash paid to settle preferred shares	13,650	-	13,650
Cash paid to settle dividends on preferred shares	6,494	-	6,494
Cash paid to acquire common shares	5,542	-	5,542
	53,914	(486)	53,428
Repayment of loans:			
Repayment of Macduff bank loans and revolver	19,275	(1,087)	18,188
Payment of Management fees Note 2	1,599	(266)	1,333
	20,874	(1,353)	19,521
Deferred Obligation:			
Fair value of unsecured Deferred obligation Note 6(b)(v)	20,900	-	20,900
Fair value of unsecured Earnout Note 6(b)(v)	6,100	-	6,100
	27,000	-	27,000
Total purchase price	101,788	(1,839)	99,949

3. Preparation of Pro forma statements

(a) Accounting Policies

The accounting policies used in the preparation of these financial statements are consistent with those described in the unaudited interim period condensed consolidated financial statements for Clearwater for the 39 week period ended October 3, 2015 and the audited consolidated financial statements for the year ended December 31, 2014.

Management has conducted a review of Macduff's accounting policies and has identified no material differences in the significant accounting policies adopted by Macduff during the transition to IFRS from United Kingdom GAAP ("UK GAAP") for the year ended September 30, 2015, and from the accounting policies of Clearwater. For the purposes of these pro forma financial statements no material reclassifications were required to be been made to Macduff's historical financial statements to conform to the presentation policies adopted by Clearwater.

(b) **Foreign currency translation**

The following foreign exchange rates were used to translate the Macduff financial statements and the Macduff acquisition:

(i) For the year ended September 30, 2014 the statement of profit and loss for Macduff and the pro forma adjustments were translated at the average rate for the year of CDN $1.80 to £1.00.
(ii) For the 39 weeks ended October 3, 2015 the statement of profit and loss for Macduff and the pro forma adjustments were translated at the average rate for the year to date period of CDN $2.03 to £1.00.
(iii) The October 3, 2015 statement of financial position was translated at a rate of CDN $2.01 to £1.00.
(iv) A foreign exchange rate of CDN $2.01 to £1.00 was used in the preparation of the preliminary pro forma purchase price allocations on the pro forma statement of financial position for October 3, 2015.

(Amounts are in thousands of Canadian dollars unless otherwise stated)

4. Fair value of Consideration Transferred

The following table summarizes the estimated purchase price for the Macduff acquisition as of September 30, 2015 (refer to note 2):

	Preliminary Fair value in Sterling (£)	**Preliminary Fair value in CDN ($)**
Cash paid to settle outstanding shareholder loans	27,742	55,775
Cash paid to settle preferred shares	13,650	27,443
Cash paid to settle dividends on preferred shares	6,494	13,056
Cash paid to acquire common shares	5,542	11,142
	53,428	107,416
Repayment of loans:		
Repayment of Macduff bank loans and revolver	18,188	36,567
Payment of Management fees Note 2	1,333	2,680
	19,521	39,247
Deferred Obligation:		
Fair value of unsecured Deferred obligation Note 6(b)(v)	20,900	42,019
Fair value of unsecured Earnout Note 6(b)(v)	6,100	12,264
	27,000	54,283
Total purchase price	99,949	200,946

Refer to Note 7 for further information on financing of the cash consideration.

5. Assets acquired and liabilities assumed in the Macduff acquisition

The following is a preliminary fair value estimate of the assets acquired and the liabilities assumed by Clearwater in connection with the Macduff acquisition, reconciled to the estimated total consideration as of October 3, 2015 (refer to note 2). Clearwater is in the process of conducting a detailed valuation of all assets acquired and liabilities assumed as of the acquisition date. As a result, the fair value of the assets acquired and liabilities assumed may differ materially from those presented below:

(Amounts are in thousands of Canadian dollars unless otherwise stated)

Cash(a)	$	4,264
Trade and other receivables(a)		19,659
Inventories(b)		19,767
Prepaids and other(a)		111
Other assets(c)		15,322
Property, plant and equipment(d)		34,078
Licences and fishing rights(e)		89,131
Trade and other payables(a)		(12,799)
Income tax payable(a)		(2,350)
Deferred tax liabilities		(17,206)
Total identifiable net assets acquired	$	149,977
Total purchase price		200,946
Goodwill	$	50,969

(a) Clearwater has preliminarily assessed that the carrying value for all assets acquired and liabilities assumed that are not discussed below to approximate fair value based on the nature of those assets and liabilities.
(b) A preliminary fair value increase of $2.4 million has been allocated to inventories acquired. The fair value of inventories of $19.8 million is estimated based on the sales price less the sum of expected costs to sell and a reasonable profit allowance for the selling effort of a market participant. Clearwater has estimated the preliminary fair value by using historical financial information from Macduff including selling costs and profit margins. The fair value has been determined based on inventory by species as of the acquisition date.
(c) A preliminary fair value estimate of $12.4 million has been attributed to the Macduff brand. The fair value for the Macduff brand is estimated based on consolidated expected discounted future cash flows to be generated from the assets acquired. The useful life of the brand is expected to be indefinite. All other assets have been preliminarily assessed that the carrying value for the assets acquired approximate fair value and the total estimated fair value is $15.3 million.
(d) A preliminary fair value estimate of $34.1 million has been attributed to the property plant and equipment, primarily related to vessels. The preliminary fair value adjustment resulted in a reduction of $3.7 million to Macduff's net carrying value for vessels.
(e) A preliminary fair value increase of $83.3 million has been attributed to licenses and quota primarily consisting of scallop licenses. Clearwater estimated the fair value of the licenses and quota of $89.1 million based on discounted expected future cash flows to be generated from the assets acquired.

(Amounts are in thousands of Canadian dollars unless otherwise stated)

6. Pro forma adjustments in connection with the Macduff acquisition

The following summarizes the pro forma adjustments in connection with the Macduff acquisition to give effect to the acquisition as if it has occurred on January 1, 2014 for purposes of the pro forma condensed consolidated statements of earnings for the 39 weeks ended October 3, 2015 and the year ended December 31, 2014 and on October 3, 2015 for the purposes of the pro forma condensed consolidated statement of financial position.

(a) Adjustments to the condensed consolidated statement of earnings for the year ended December 31, 2014 and 39 weeks ended October 3, 2015

(i) To adjust depreciation expense on property, plant and equipment (primarily vessels) for the fair value incremental reduction in the carrying amount using a weighted average expected life of 11 years as follows:

	Year ended December 31, 2014	**39 weeks ended October 3, 2015**
Depreciation of fair value adjustment to vessels	(304)	(254)

(ii) To adjust for intercompany profit in inventory from sales of sea scallops purchase from Clearwater by Macduff that were recognized by Clearwater for the year ended December 31, 2014 and the 39 weeks ended October 3, 2015. Macduff has historically purchased sea scallops from Clearwater for resale and these intercompany transactions have been eliminated. The intercompany profit was determined based upon the margin recognized on the related sales and the estimated inventory turnover for the related period.

	Year ended December 31, 2014	**39 weeks ended October 3, 2015**
Pro forma intercompany profit elimination to sales	(6,872)	(4,407)
Pro forma intercompany profit elimination to cost of goods sold	(6,227)	(3,471)
	(645)	(936)

(iii) To adjust for additional interest expense estimated to be incurred with the increase in the debt facilities by Clearwater and reversal of Macduff interest on the revolver and bank and shareholder loans that were repaid by Clearwater on acquisition. Refer to note 7 for further details on the change to existing debt facilities as of the Macduff acquisition.

(Amounts are in thousands of Canadian dollars unless otherwise stated)

	Year ended December 31, 2014	39 weeks ended October 3, 2015
Revolver Note 7	48,000	48,000
Estimated weighted average interest rate	4.47%	4.10%
Estimated interest expense	2,144	1,475
Term Loan B Note 7	75,000	75,000
Estimated weighted average interest rate	4.75%	4.75%
Estimated interest expense	3,563	2,672
Total pro forma interest expense	5,707	4,147

The net pro forma interest expense adjustment as follows:

	Year ended December 31, 2014	39 weeks ended October 3, 2015
Pro forma adjustment for interest expense	5,707	4,147
Pro forma adjustment for interest expense on debt repaid[1]	(4,491)	(3,981)
	1,216	166

(1) Pro forma adjustment to exclude interest on debt and shareholder loans that were repaid with the Macduff acquisition.

(iv) To adjust for the following deferred tax asset and liabilities:

	Year ended December 31, 2014	39 weeks ended October 3, 2015
Pro forma income impact for Macduff	(4,150)	(3,299)
Pro forma income tax rate for Macduff	0.20	0.20
Deferred tax liability	(830)	(660)
Pro forma income impact for Clearwater	5,707	4,147
Pro forma income tax rate for Clearwater	0.305	0.305
Deferred tax asset	1,741	1,265
Net Deferred tax asset	911	605

(Amounts are in thousands of Canadian dollars unless otherwise stated)

(v) To reflect the pro forma earnings adjustments on basic and diluted earnings (loss) per share:

	Year ended December 31, 2014	39 weeks ended October 3, 2015
Basic EPS:		
Earnings (loss) as reported by Clearwater	(2,905)	(30,549)
Pro forma earnings adjustment	3,897	(2,632)
Pro forma consolidated earnings	992	(33,181)
Weighted average number of shares outstanding	54,786,510	56,692,538
Basic Earnings (loss) per share as reported by Clearwater	(0.05)	(0.54)
Basic Earnings (loss) per share as per pro forma consolidated earnings	0.02	(0.59)
Diluted EPS:		
Earnings (loss) as reported by Clearwater	(2,905)	(30,549)
Pro forma earnings adjustment	3,897	(2,632)
Pro forma consolidated earnings	992	(33,181)
Weighted average number of shares outstanding	54,786,510	56,692,538
Diulted Earnings (loss) per share as reported by Clearwater	(0.05)	(0.54)
Diluted Earnings (loss) per share as per pro forma consolidated earnings	0.02	(0.59)

(b) Adjustments to the condensed consolidated statement of financial position as at October 3, 2015

(i) To adjust cash for cash consideration paid for common shares, preferred shares and repayment of outstanding bank and shareholder loans and repayment of Macduff management fees as follows:

Cash consideration paid to Maduff shareholders (note 4)	(107,416)
Repayment of Macduff bank loans and revolver (note 4)	(36,567)
Payment of Management fees (note 2)	(2,680)
	(146,663)

(ii) To adjust assets assumed to the preliminary estimate of fair value attributable to the assets acquired. Refer to Note 5 for a breakdown of the preliminary fair value attributable.

(Amounts are in thousands of Canadian dollars unless otherwise stated)

(iii) To adjust property, plant and equipment to the preliminary estimate of fair value attributable to the assets acquired. The pro forma condensed consolidated statement of profit and loss for the year ended December 31, 2014 and the 39 weeks ended October 3, 2015 will reflect the adjustment to cost of goods sold related to the impact on depreciation from the fair value adjustment to fixed assets.

(iv) To adjust debt and trade payables for repayment of outstanding shareholder and bank loans and management fees as follows:

Repayment of bank loans and revolver (note 4)	(36,567)
Repayment of dividends on preferred shares (note 4)	(13,056)
Repayment of shareholder loans (note 4)	(55,775)
	(105,398)
Payment of Management fees (note 2)	(2,680)
	(108,078)

(v) To adjust long term debt for the fair value of the unsecured (i) deferred obligation (“Deferred Obligation”) and the (ii) unsecured additional consideration to be paid in the future dependent upon the future performance of Macduff (“Earnout”) components of the purchase price. Refer to the breakdown of the purchase price in Note 4.

Deferred Obligation

The Deferred Obligation applies to 33.75% of the shares acquired by Clearwater (the "Earn Out Shares") and will be paid over the next five to six years with a fair value of £20.9 million (CDN $42 million) as of the acquisition date.

In each year, the former holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout.

The fair value of the Deferred Obligation is estimated as of the acquisition date based on, discounting the projected future cash out flows. Key assumptions that were used included discount rates ranging from 6.6% to 8.8% to represent changes in sensitivity for the payout periods, and an estimated fixed annual payment over the next five years. The estimated fair value of the Deferred Obligation ranged from £20 million to £22 million.

Earnout

The Earnout is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining

unpaid (refer to Deferred Obligation above). The estimated fair value of the Earnout is £6.1 million (CDN $12 million) and is assumed to be paid over the next five years.
The amount of the total Earnout is calculated as follows:

The greater of:

(i) £3.8 million; OR
(ii) up to 33.75% (dependent upon the percentage of Deferred obligation remaining unpaid each year) of the increase in equity value of the business over five years calculated as 7.5x adjusted EBITDA less the outstanding debt of MacDuff; and
(iii) 10% of adjusted EBITDA above £10 million (dependent upon the percentage of Deferred obligation remaining unpaid each year)

To determine the fair value of the Earnout three primary sources of risk are assessed (i) the risk associated with the underlying performance of Macduff's EBITDA ("Earnings before interest, taxes, depreciation and amortization"), the risk associated with the functional form of the Earnout payments; and the credit risk associated with the future Earnout payments.

The fair value of the Earnout payments is estimated based on a Monte Carlo simulation under a risk-neutral framework. The preliminary fair value of the Earnout is estimated based on discounted expected future EBITDA cash flows for Macduff for the next five years using a Geometric Brownian Motion model.

The following inputs and assumptions were used in calculating the fair value of the Earnout including:

- Payments dates: The Earnout will be payable for the periods ending December 31, 2016 through December 31, 2020, based on the expected pattern of the Deferred Obligation and the expected outstanding amount of Deferred Obligation at the end of each year.
- Forecasted EBITDA: Management's five year forecast
- Risk free rate: 1.5%
- Risk adjusted discount rates: 8%-10.5%
- Asset volatility: The estimated asset volatility of Macduff is based on the Merton option pricing model. In the context of calculating the asset volatility, the following inputs to derive the asset volatility were used:

    - Debt value: £19 million
    - Enterprise Value: £100 million
    - Equity value: £81 million
    - Equity volatility: 39%

(Amounts are in thousands of Canadian dollars unless otherwise stated)

A risk adjusted payout is calculated at each time period and discounted at the risk-free rate to the valuation date. This process is simulated 100,000 times and the expected value of the Earnout is retrieved. Based on the range of risk adjusted discount rates (per above) the range in fair values determined was between £5.6 million and £6.3 million.

The total fair value of the Deferred Obligation and Earnout as of October 30, 2015 is £27 million (CDN $54.2 million).

(vi) The following table represents the net deferred income tax liability, based on the statutory tax rates of the relevant jurisdictions, relating to the estimated preliminary fair value adjustments to assets acquired and liabilities assumed.

For purposes of these financial statements, no adjustment has been made to the balance of unrecognized or recognized tax benefits or liabilities, which is based on Clearwater's preliminary assessment and may be subject to change.

	Estimated preliminary fair value
Deferred income tax impact due to:	
Estimated preliminary fair value adjustment to inventories	485
Estimated preliminary fair value adjustment to Intangibles	2,476
Estimated preliminary fair value adjustment to fixed assets	(742)
Estimated preliminary fair value to licenses and quota	14,987
	17,206

7. Pro forma on debt issuance

Clearwater financed the initial cash consideration of $109 million (refer to note 2) through existing loan facilities and existing cash on hand. In October 2015, Clearwater exercised provisions on its current Term Loan B and revolver facilities to borrow an additional CDN $75 million and $25 million, respectively. Additional debt issuance is as follows:

Proceeds from Term Loan B facility	75,000
Proceeds from increase on Revolver facility	25,000
Proceeds from revolver exisiting facilities	23,000
	123,000
Financing fees	(915)
Net proceeds	122,085

SCHEDULE "B"

Financial Statements of Macduff

Company Number: SC395537 (Scotland)

MACDUFF SHELLFISH GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 SEPTEMBER 2015

MACDUFF SHELLFISH GROUP LIMITED

DIRECTORS AND ADVISERS

Directors:	Mr E D Beaton Mr R M Cunningham (appointed 30 October 2015) Mr D J Kavanagh (appointed 30 October 2015) Mr R D Wight (appointed 30 October 2015) Mr M T Hollis (appointed 30 October 2015)
Secretary:	Pinsent Masons Secretarial Limited
Registered Office:	c/o Pinsent Masons LLP 13 Queens Road Aberdeen AB15 4YL
Registered Number:	SC395537
Auditors:	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL
Solicitors:	Pinsent Masons LLP 13 Queens Road Aberdeen AB15 4YL

MACDUFF SHELLFISH GROUP LIMITED

CONTENTS

GROUP DIRECTORS' REPORT

The directors present their Directors' Report for the year ended 30 September 2015.

Dividends
Dividends of £1,612k (2014: £1,527k) were declared during the year. No dividends were paid (2014: nil).

Directors
The following directors have held office since 1 October 2014 and up to the date of this report, unless otherwise stated:

Mr E D Beaton	
Mr P D Beaton	(resigned 30 October 2015)
Mr F C Beaton	(resigned 30 October 2015)
Mr S G Petrow	(resigned 30 October 2015)
Ms J T Cargo	(resigned 30 October 2015)
Mr R M Cunningham	(appointed 30 October 2015)
Mr D J Kavanagh	(appointed 30 October 2015)
Mr R D Wight	(appointed 30 October 2015)
Mr M T Hollis	(appointed 30 October 2015)

The company has made a qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Pinsent Masons Secretarial Limited was appointed company secretary on 30 October 2015.

Employee involvement
The Group's policy is to consult and discuss with employees, through appropriate communication, matters likely to affect employees' interests.

Information on matters of concern to employees is given as appropriate to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Disabled persons
The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees which become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Charitable donations
During the year the Group made payments of £3k (2014: £8k).

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS issued by IASB and adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors
So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

Signed on behalf of the board:

....

Mr E D Beaton
Director

1/2/2016
....

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACDUFF SHELLFISH GROUP LIMITED

We have audited the financial statements of Macduff Shellfish Group Limited for the year ended 30 September 2015 set out on pages 9 to 49. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out in the Directors' Report on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2015, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACDUFF SHELLFISH GROUP LIMITED (CONTINUED)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Wilson (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

1/2/2016.

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

MACDUFF SHELLFISH GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	Year ended 30 September 2015 £'000	Year ended 30 September 2014 Note 30 £'000
Continuing operations			
Revenue	5	52,828	46,213
Cost of sales		(40,698)	(34,329)
Gross Profit		12,130	11,884
Other operating income		116	253
Distribution expenses		(2,812)	(2,662)
Administrative expenses		(5,685)	(3,818)
Profit from operating activities		3,749	5,657
Finance income	9	26	128
Finance costs	10	(2,691)	(2,499)
Profit before tax		1,084	3,286
Tax expense	11	(637)	(756)
Profit for the year		447	2,530

The Group has no recognised gains and losses other than as included in the statement of profit or loss for the current and prior years. Accordingly, no statement of comprehensive income is presented.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

		Group			Company		
		30 September 2015	30 September 2014 Note 30	30 September 2013 Note 30	30 September 2015	30 September 2014 Note 30	30 September 2013 Note 30
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Intangible assets	14	30,021	27,801	26,351	-	-	-
Property, plant and equipment	13	18,796	13,791	9,939	-	-	-
Amounts due to group undertakings	19	-	-	-	31,258	29,483	27,159
Trade and other receivables	19	1,211	916	214	236	230	214
Investments	15	252	252	408	13,705	13,705	13,705
Non-current assets		50,280	42,760	36,912	45,199	43,418	41,078
Inventories	18	8,626	9,434	5,521	-	-	-
Trade and other receivables	19	9,778	7,660	7,249	67	62	55
Derivative financial assets	19	55	100	-	-	-	-
Cash and cash equivalents		2,121	1,171	1,448	2	11	7
Current assets		20,580	18,365	14,218	69	73	62
Total assets		70,860	61,125	51,130	45,268	43,491	41,140
Equity							
Share capital	22	14,665	14,665	14,658	14,665	14,665	14,658
Retained earnings		(5,096)	(3,931)	(4,934)	(6,918)	(5,357)	(3,707)
Total equity		9,569	10,734	9,724	7,747	9,308	10,951
Liabilities							
Loans and borrowings	20	-	34,602	29,126	-	30,367	26,697
Amounts owed to group undertakings	20	-	-	-	3,000	3,000	3,013
Trade and other payables	20	46	-	-	-	-	-
Accruals and deferred income	21	845	961	853	-	-	-
Deferred tax liabilities	11	1,091	761	644	-	-	-
Non-current liabilities		1,982	36,324	30,623	3,000	33,367	29,710
Bank overdraft	20	8,317	6,986	3,652	-	-	-
Current tax liabilities	20	78	72	149	-	-	54
Loans and borrowings	20	44,107	1,039	713	34,237	-	-
Amounts owed to group undertakings	20	-	-	-	216	798	419
Trade and other payables	20	6,807	5,970	6,269	68	18	6
Current liabilities		59,309	14,067	10,783	34,521	816	479
Total liabilities		61,291	50,391	41,406	37,521	34,183	30,189
Total equity and liabilities		70,860	61,125	51,130	45,268	43,491	41,140

These financial statements were approved and authorised for issue by the board on ...1\2\2016...

Signed on behalf of the board:

....

Mr E D Beaton
Director
Company Number: SC395537

MACDUFF SHELLFISH GROUP LIMITED

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2015

Group	Share capital £'000	Retained earnings £'000	Total equity £'000
Opening balance at 1 October 2013	14,658	(4,934)	9,724
Profit for the year	-	2,530	2,530
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,530	2,530
Issued share capital	7	-	7
Dividends declared	-	(1,527)	(1,527)
At 30 September 2014	14,665	(3,931)	10,734
Opening balance at 1 October 2014	14,665	(3,931)	10,734
Profit for the year	-	447	447
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	447	447
Dividends declared	-	(1,612)	(1,612)
At 30 September 2015	14,665	(5,096)	9,569

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2015 (CONTINUED)

Company	Share capital £'000	Retained earnings £'000	Total equity £'000
Opening balance at 1 October 2013	14,658	(3,707)	10,951
Loss for the year	-	(123)	(123)
Total other correspondence income	-	-	-
Total comprehensive expense for the year	-	(123)	(123)
Issued share capital	7	-	7
Dividends declared	-	(1,527)	(1,527)
At 30 September 2014	14,665	(5,357)	9,308
Opening balance at 1 October 2014	14,665	(5,357)	9,308
Profit for the year	-	51	51
Total other correspondence income	-	-	-
Total comprehensive expense for the year	-	51	51
Dividends declared	-	(1,612)	(1,612)
At 30 September 2015	14,665	(6,918)	7,747

MACDUFF SHELLFISH GROUP LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Cash flows from operating activities				
Profit / (loss) for the year	447	2,530	50	(123)
Income tax expense	637	756	51	271
Adjustments for:				
Depreciation of property, plant and equipment	1,664	1,335	-	-
(Loss) / profit on disposal of property, plant and equipment	147	(217)	-	-
Net finance costs	2,665	2,371	(276)	(178)
Amortisation of government grants	(116)	(102)	-	-
	5,444	6,673	(175)	(30)
Changes in:				
Inventories	808	(3,913)	-	-
Trade and other receivables	(2,413)	(1,142)	737	(36)
Trade and other payables	206	(533)	(532)	377
Cash generated from operating activities	4,045	1,085	30	311
Interest paid	(388)	(356)	-	-
Taxes paid	(302)	(685)	(51)	(325)
Net cash generated from operating activities	3,355	44	(21)	(14)
Cash flows from investing activities				
Interest received	26	23	12	11
Dividends received	-	5	-	-
Acquisition of property, plant and equipment	(5,830)	(790)	-	-
Acquisition of intangible assets	(2,747)	(5,742)	-	-
Proceeds from sales of investments	220	500	-	-
Net cash used in investing activities	(8,331)	(6,004)	12	11
Cash flows from financing activities				
Proceeds from issue of share capital	-	7	-	7
Proceeds from loans and borrowings	5,634	3,250	-	-
Repayment of borrowings	(1,039)	(1,118)	-	-
Proceeds from government grant	-	210	-	-
Net cash generated from financing activities	4,595	2,349	-	7
Net decrease in cash and cash equivalents	(381)	(3,611)	(9)	4
Cash and cash equivalents at beginning of year	(5,815)	(2,204)	11	7
Cash and cash equivalents at end of year	(6,196)	(5,815)	2	11

1. Reporting entity

Macduff Shellfish Group Limited ("the company") is a company domiciled within the United Kingdom. The address of the company's registered office is 13 Queens Road, Aberdeen, AB15 4YL. The consolidated financial statements of the company as at and for the year ended 30 September 2015 comprise the company and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is involved in the sale of shellfish to the United Kingdom, Eurozone countries, other European countries and the Far East.

As described in note 27, Subsequent events, the Group was acquired by and became a wholly owned subsidiary of Clearwater.

2. Summary of significant accounting policies

2.a. Basis of preparation of the financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations issued as adopted by the International Accounting Standards Board as adopted by the European Union ("IFRS"). These consolidated and separate financial statements have been prepared in accordance with the Companies Act 2006. These are the Group's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the Group's consolidated statement of financial position, statement of profit or loss and other comprehensive income, change in shareholders' equity and statement of cash flows is provided in note 30 – *Explanation of transition to IFRS.*

The disclosure in note 30 reconciles the previously reported net assets at 1 October 2013 (date of transition to IFRS) under United Kingdom Generally Accepted Accounting Principles ("UK GAAP"), to that reported under IFRS. The note also reconciles the reported net assets and consolidated statement of profit or loss for the comparative year 30 September 2014, between UK GAAP and IFRS.

The financial statements were authorised for issue by the Board of Directors on February 2016.

2.b. Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings which are made up to 30 September 2015. The results of subsidiaries sold or acquired are included in the profit and loss account, up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

2.c. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items measured at fair value through profit or loss:

- Derivative financial instruments measured at fair value

Where applicable the fair value measurements have been described within the notes.

2.d. Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling (£) which is the company's functional and the Group's presentational currency.

2.e. Use of judgement and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

i) Judgements, assumptions and estimation uncertainties

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that the actual outcomes could differ from those estimates.

Estimates are based on management's best knowledge of the current events and actions that the Group may undertake in the future. These estimates include but are not limited to estimates regarding inventory valuation, accounts receivable valuation allowances, income taxes, estimated useful lives of quotas, licenses, property, plant and equipment, and estimates of future cash flows for impairment tests.

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

The following are the most important accounting policies subject to such judgement and sources of key estimation uncertainty that the Group believes could have the most significant impact on the reported results and financial position:

The information in this note is grouped by accounting policy to include:

- Key sources of estimation uncertainty
- Judgements management made in the process of applying the Group's accounting policies

a. Income taxes

Key sources of estimation uncertainty
Accounting for income taxes is based upon evaluation of income tax rules in all jurisdictions where the Group performs activities. In determining the provision for current and deferred income taxes, the Group makes assumptions about temporary and permanent differences between accounting and taxable income, and substantively enacted income tax rates. Changes in tax law and the level and geographical mix of earnings will impact the effective tax rate.

Judgements made in relation to accounting policies applied
The Group makes judgements about whether to recognise the benefit of deferred tax assets. In making this judgement the Group continually evaluates all positive and negative evidence. The evaluation includes the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

2.e. Use of judgement and estimates (continued)

I) Judgements, assumptions and estimation uncertainties (continued)

b. Goodwill, licenses and fishing rights

Key sources of estimation uncertainty
The Group conducts impairment testing on its goodwill and intangible assets annually on 30 September and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Group determines the recoverable amount of each cash-generating unit (CGU) to which goodwill and intangible assets are allocated. The process of determining recoverable amount, includes calculating the value in use, which estimates the present value of each CGU using a discounted five-year forecasted cash flow estimate with a terminal value. The determination of the recoverable amount involves estimates and assumptions for future sales, product margins, market conditions, allowable catch rates, and appropriate discount rates.

Judgements made in relation to accounting policies applied
In performing its impairment testing, the Group makes judgements in determining its CGUs, and the allocation of working capital assets and liabilities and corporate assets to these CGUs.

For further discussion on goodwill and intangible assets, refer to Note 14.

ii) Measurement at fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values, which includes utilising third party valuation services for any significant fair value measurements, reporting to the finance team and ultimately to the Finance Director.

Where third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third prices to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy basis on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these consolidated financial statements.

3.a. Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value. Acquisition-related costs are expensed as incurred and included in the statement of profit and loss. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

When the company acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

ii) Subsidiaries

Subsidiaries are entities controlled by the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.b. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and loans receivable are presented in the statement of profit and loss and comprehensive income within "finance income" or "finance costs".

3.c. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables.

i) Non-derivative financial assets – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3.c Financial instruments (continued)

i) Non-derivative financial assets – recognition and derecognition (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest or dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

iii) Non-derivative financial liabilities – recognition, derecognition and measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued (including certain preference shares, bank overdrafts and trade and other payables).

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.c Financial instruments (continued)

v) Derivatives

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. These are initially recognised at fair value with any directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and charges therein are generally recognised in the profit or loss. The Group does not utilise hedge accounting.

3.d. Property, plant and equipment

Items of property, plant and equipment are measured at cost or revalued amount less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use and location. Additions are depreciated commencing in the month that they are available for use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised and any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. All other repairs and maintenance are charged to the statement of profit and loss and comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a straight line basis to depreciate the cost of each of the components of an item of property, plant and equipment over its estimated useful life and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings – freehold	50 years
Property Improvements	10 - 25 years
Plant and machinery	5 - 15 years
Motor vehicles	5 - 8 years
Vessels	10 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in the period in which is relates through profit and loss.

3.e. Inventories

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

Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overheads, administration and depreciation, determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.f. Impairment

i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security, or observable date indicating that there is a measureable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.f. Impairment (continued)

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.g. Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.h. Revenue

The Group sells shellfish to the United Kingdom, Eurozone countries, other European countries and the Far East. These sales are evidenced by purchase orders and invoices which set out the terms of the sale, including pricing and delivery terms. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

3.i. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Leases of assets, where the company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.j. Finance income and finance costs

Finance income and finance costs comprise interest income, interest expense on borrowings, changes in the fair value of financial assets and liabilities measured at fair value through profit or loss, gains and losses recognised on derivative financial assets and liabilities, gains and losses on financial instruments that are recognised in profit or loss and foreign exchange gains and losses.

Interest income or expense is recognised using the effective interest method. Interest expense directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of that asset cost.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.k. Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are measured on an undiscounted basis.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.l. Goodwill

Goodwill is the residual amount that results when the purchase of an acquired business exceeds the sum of the amounts allocated to the net assets acquired, based on their fair values. Goodwill is allocated to the Group's CGUs that are expected to benefit from the acquisition synergies.

Goodwill is measured at cost less impairment losses.

3.m. Licenses and quota

Licenses represent intangible assets acquired directly or in a business combination that meet the specified criteria for recognition apart from goodwill and are recorded at their fair value at the date of acquisition and are subsequently carried at cost. Licenses that have indefinite lives are not amortised and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired.

3.n. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

3.o. Government grants

Government grants received by the Group relate to items of property, plant and equipment. The grants are amortised over the same estimated useful life of the particular asset to which it relates and is included in the statement for profit and loss.

4. New standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 October 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

4.a. IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

4.b. IFRS 15 Revenue from Contracts and Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

4.c. Disclosure initiative

On 18 December 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Group intends to adopt these amendments in its financial statements for the annual period beginning on 1 January 2016. The extent of the impact of adoption of the amendments has not yet been determined.

The following new or amended standards are not expected to have significant impact of the Group's consolidated financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual improvements to IFRS 2012-2014 cycle.

5. Revenue, Income and expenses

The Group has one primary source of revenue in respect of the sale of shellfish.

	2015 £'000	2014 £'000
Sales by geographical region		
United Kingdom	7,501	5,234
European Countries	38,079	36,747
Far East	7,199	4,191
Rest of World	49	41
	52,828	46,213
Sales by species		
Scallops	18,402	21,657
Langoustine	22,403	15,866
Crabs	4,260	4,289
Whelks	6,837	4,175
Other	926	226
	52,828	46,213
Other income		
Other	116	253
Expenses by nature		
Consultancy	70	59
Commissions payable	-	4
Staff costs	10,145	8,190
Depreciation	1,664	1,335
Legal and professional fees	413	149
Advertising	123	166
Operating lease expense	427	432
Exchange gains	(515)	(270)
Travel costs	467	336
Other	36,401	30,408
	49,195	40,809

6. Auditors' remuneration

	2015 £'000	2014 £'000
Fees payable to the Group's auditors for the audit of the Group's financial statements	16	15
Fees payable to the Group's auditor for other services:		
- Audit of subsidiaries	46	44
- Taxation	16	15
- Other	20	-
	82	59

7. Directors' remuneration

	2015 £'000	2014 £'000
Remuneration	747	660
Contributions to a pension scheme (by which money purchase benefits will be calculated)	14	14
	761	674

The remuneration of the highest paid director included above was:

	2015 £'000	2014 £'000
Emoluments and amounts receivable under long term incentive schemes	254	225
Contributions to a pension scheme (by which money purchase benefits will be calculated)	3	3
	257	228

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2014 – 3).

8. Employee benefit expenses

The monthly average number of persons employed by the Group, including directors, during the period was as follows:

	2015 Number	2014 Number
Administration	29	19
Other	263	259
	292	278

The aggregate payroll costs of these persons were as follows:	2015 £'000	2014 £'000
Wages and salaries	9,464	7,647
Social security	627	515
Other pension costs	54	28
	10,145	8,190

9. Finance income

	2015 £'000	2014 £'000
Other interest	26	28
Foreign exchange and derivative contracts	-	100
	26	128

10. Finance costs

	2015 £'000	2014 £'000
On bank loans and overdrafts	380	346
Hire purchase interest	2	10
Other interest expense	2,264	2,143
Foreign exchange and derivative contracts	45	-
	2,691	2,499

11. Income taxes

Amounts recognised in profit or loss

	2015 £'000	2014 £'000
Current tax expense		
Current period	309	593
Adjustment for prior years	(2)	45
	307	638
Deferred tax expense		
Current period	337	118
Adjustment for prior years	(7)	-
	330	118
Tax expense from continuing operations	637	756

The effective rate on the Group's earnings before income taxes differs from the expected amount that would arise using the standard UK tax rate.

A reconciliation of the difference is as follows:

		2015 £'000		2014 £'000
Profit before tax from continuing operations		1,084		3,286
Tax using the company's domestic tax rate	20.5%	222	22.0%	723
Reduction in tax rates	(0.4%)	(4)	(0.1%)	(4)
Adjustments for prior years	(0.8%)	(9)	1.4%	45
Deferred tax not recognised	(1.0%)	(11)	6.7%	221
Permanent differences	13.3%	144	(0.1%)	(4)
Other	27.3%	295	(6.8%)	(225)
	58.9%	637	23.1%	756

11. Income taxes (continued)

Deferred tax liability	2015 £'000	2014 £'000	2013 £'000
Fixed asset temporary differences	944	711	644
Other	147	50	-
	1,091	761	644

Unrecognised deferred tax assets

The Group has the following items for which no deferred tax asset is recognised in the statements of financial position:

	2015 £'000	2014 £'000	2013 £'000
Brought forward tax losses	38	51	51
Fixed asset temporary differences	28	26	32
Other	677	677	449
	743	754	532

12. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the year was £50k.

13. Property, plant and equipment

	Land and buildings freehold £'000	Property improve-ments £'000	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Vessels £'000	Totals £'000
Group						
Cost or valuation						
At 1 October 2013	60	2,506	5,529	13	6,335	14,443
Additions	-	165	849	-	4,293	5,307
Disposals	-	-	(39)	-	(120)	(159)
At 30 September 2014	60	2,671	6,339	13	10,508	19,591
Additions	-	342	1,259	-	5,433	7,034
Disposals	(60)	-	(202)	-	(293)	(555)
At 30 September 2015	-	3,013	7,396	13	15,648	26,070
Depreciation						
At 1 October 2013	11	711	1,245	7	2,530	4,504
Charge for the year	2	249	430	1	653	1,335
Disposals	-	-	(39)	-	-	(39)
At 30 September 2014	13	960	1,636	8	3,183	5,800
Charge for the year	1	279	499	2	883	1,664
Disposals	(14)	-	(162)	-	(14)	(190)
At 30 September 2015	-	1,239	1,973	10	4,052	7,274
Net Book Value						
At 30 September 2015	-	1,774	5,423	3	11,596	18,796
At 30 September 2014	47	1,711	4,703	5	7,325	13,791
At 30 September 2013	49	1,795	4,284	6	3,805	9,939

No provision has been made for deferred tax on the revaluation of land and buildings to their open market value. In the event that revalued properties were sold as revalued without rollover relief being available, a liability to corporation tax of approximately £nil (2014 - £10k) would arise.

The net book value of tangible fixed assets includes £54k (2014 - £68k) in respect of assets held under hire purchase contracts. The depreciation charge in respect of such assets amounted to £14k (2014 - £23k) for the year.

14. Intangible assets

Group	Licences and quota £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2013	1,389	28,140	29,529
Additions	790	660	1,450
At 30 September 2014	2,179	28,800	30,979
Additions	740	1,480	2,220
At 30 September 2015	2,919	30,280	33,199
Amortisation			
At 1 October 2013, 30 September 2014 and 2015	-	3,178	3,178
Net Book Value			
At 30 September 2015	2,919	27,102	30,021
At 30 September 2014	2,179	25,622	27,801
At 30 September 2013	1,389	24,962	26,351

The Group maintains fishing licenses and quota to ensure continued access to the underlying resources. Licenses and quota have indefinite lives as they do not have annual renewal fees and the underlying stocks of the species are healthy. The licenses and related goodwill are tested for impairment annually and when circumstances indicate the carrying value may be impaired.

Indefinite life licenses and goodwill

For the purposes of impairment testing, goodwill and indefinite life intangibles have been allocated to the Group's cash generating units as follows:

Group	2015 £'000	2014 £'000	2013 £'000
Scallops			
Goodwill	9,081	9,081	8,421
Intangibles	2,919	2,179	1,389
	12,000	11,260	9,810
Langoustine			
Goodwill	16,541	16,541	16,541
All other CGU's individually without significant carrying value	1,480	-	-
Total	30,021	27,801	26,351

14. Intangible assets (continued)

Annual impairment testing for indefinite life intangible assets and goodwill was performed using a value in use approach as of 30 September 2015 and for comparative periods 30 September 2014 and 2013.

The recoverable amounts for all CGUs were determined to be higher than their carrying amounts and therefore no impairments were recorded relating to these CGUs during 2015 or the comparative periods.

For the purpose of annual impairment testing, goodwill and the indefinite life licenses are allocated to species to which they relate which represents the lowest group of assets at which goodwill and intangible assets are monitored for internal management purposes (i.e. CGU's). The value in use approach was determined by discounting the future cash flows generated from the continuing earnings from operations for the applicable CGU. Unless otherwise indicated, the assumptions used for each CGU and comparative period to generate the discounted cash flow models were similar.

The discounted cash flows used in determining the recoverable amounts for the CGU's were based on the following key assumptions:

(i) Cash flows from operations were projected for a period of five years based on a combination of past experience, actual operating results and forecasted earnings. Terminal values and forecasts for future periods were extrapolated using inflation rates of 2% for 2015 and all comparative periods. Gross margins for all future periods were estimated using a combination of forecasted and historical margins.

(ii) Pre-tax discount rates ranging from 11%-13% for 2015 and all comparative periods were applied in determining the recoverable amount of the CGU's. The discount rates were estimated based upon weighted average cost of capital, and associated risk for the CGU.

(iii) Cash flow adjustments for capital expenditures were based upon the management approved capital expenditure forecast, actual results.

The key assumptions represent management's assessment of future trends in the industry and are based on both internal and external sources.

15. Fixed asset investments

Group

	Unlisted investments £'000
Cost	
At 1 October 2013	736
Disposals	(156)
At 30 September 2014 & 2015	580
Impairment	
At 1 October 2013	328
Charge for the year	-
At 30 September 2014 & 2015	328
Net book value	
At 30 September 2015	252
At 30 September 2014	252
At 30 September 2013	408

15. Fixed asset investments (continued)

Company

	Unlisted Investments £'000
Cost	
At 1 October 2013, 30 September 2014 and 2015	13,705
Net book value	
At 30 September 2015	13,705
At 30 September 2014	13,705
At 30 September 2013	13,705

16. Acquisition of subsidiary and non-controlling interests

Business combination

On 24 June 2015 the Group acquired certain assets of Exmouth Marina Ltd ("Exmouth"), a company incorporated and registered in England. The Group has acquired Exmouth since the fishing vessels and licences held by the company are expected to substantially increase the Group's share of the market of scallop and whelk fishing.

The fair value of the identifiable assets of Exmouth as at the date of acquisition were:

	Provisional fair value recognised on acquisition £'000
Assets	
Property, plant and equipment	4,866
Intangible assets	740
Other assets	84
Total identifiable net assets at fair value	5,690
Goodwill and intangible assets arising on acquisition (note 14)	1,480
Purchase consideration transferred	7,170

The net assets recognised in the 30 September 2015 financial statements are based on a provisional assessment of the fair value. The fair value of the vessels and licences acquired was based on an independent valuation at the date of acquisition.

No reliable pre-acquisition trading information was available due to the acquisition being an asset purchase from a larger trading legal entity.

17. Group entities

Significant subsidiaries

	Nature of business	Country of incorporation	Ownership interest % 30 September 2015
Glenalvah Limited	Intermediate holding company	United Kingdom	100%
Macduff Shellfish (Scotland) Limited	Processing and sale of shellfish	United Kingdom	100%
Macduff Fishing Fleet Limited	Scallop fishing	United Kingdom	100%
Macduff Fleet Engineering Limited	Manufacture and repair of marine equipment	United Kingdom	100%
Rederij Macduff BVBA	Whelk fishing	Belgium	100%

18. Inventories

	Group 2015 £'000	Group 2014 £'000	Group 2013 £'000
Finished goods and goods for resale	8,626	9,434	5,521

In 2015, inventory costs of £30,618k (2014: £22,817k ; 2013: £29,949k) were recognised in cost of sales. The Group incurred £173k (2014: £44k, 2013: £104k) in inventory write-downs, which is included in cost of sales.

19. Trade and other receivables

	Group 2015 £'000	Group 2014 £'000	Group 2013 £'000	Company 2015 £'000	Company 2014 £'000	Company 2013 £'000
Trade receivables	10,989	8,576	7,463	-	-	-
Amounts due from group undertakings	-	-	-	31,258	29,483	27,159
Other receivables	-	-	-	303	292	269
Derivative financial instruments	55	100	-	-	-	-
	11,044	8,676	7,463	31,561	29,775	27,428

Amounts falling due after more than one year and included in debtors above are:

	Group 2015 £'000	Group 2014 £'000	Group 2013 £'000	Company 2015 £'000	Company 2014 £'000	Company 2013 £'000
Amounts due from group undertakings	-	-	-	31,258	29,483	27,159
Other receivables	1,211	916	214	236	230	214
	1,211	916	214	31,494	29,713	27,373

20. Trade and other payables

	Group 2015 £'000	Group 2014 £'000	Group 2013 £'000	Company 2015 £'000	Company 2014 £'000	Company 2013 £'000
Current						
Bank overdraft	8,317	6,986	3,652	-	-	-
Loans and borrowings	44,107	1,039	713	34,237	-	-
Trade and other payables	6,807	5,970	6,269	68	18	6
Amounts due to related parties	-	-	-	216	798	419
Corporation Tax	78	72	149	-	-	54
	59,231	14,067	10,783	34,521	816	479
Non-Current						
Bank loans	-	4,235	2,429	-	-	-
Other long term loans	46	4,680	3,152	-	4,680	3,152
Loan notes	-	25,687	23,545	-	25,687	23,545
Amounts owed to group undertakings	-	-	-	3,000	3,000	3,013
	46	34,602	29,126	3,000	33,367	29,710
Analysis of loans						
Not wholly repayable within five years by instalments:						
Bank loans	9,870	5,274	3,142	-	-	-
Other long term loans	46	4,680	3,152	6,291	4,680	3,152
Loan notes	34,237	-	-	27,946	-	-
Not wholly repayable within five years other than by instalments:						
Loan notes	-	25,687	23,545	-	25,687	23,545
	44,153	35,641	29,839	34,237	30,367	26,697
Included in current liabilities	(44,107)	(1,039)	(713)	(34,237)	-	-
	46	34,602	29,126	-	30,367	26,697
Instalments not due within five years	-	272	643	-	-	-

20. Trade and other payables (continued)

Loan maturity analysis	Group	Group	Group	Company	Company	Company
	2015 £'000	2014 £'000	2013 £'000	2015 £'000	2014 £'000	2013 £'000
In more than one year but not more than two years	46	968	499	-	-	-
In more than two years but not more than five years	-	2,995	1,287	-	-	-
In more than five years	-	30,639	27,340	-	30,367	26,697

Loan notes accrue interest at a fixed rate of 9.1% and are repayable on change of ownership, or 31 March 2060, whichever is earlier.

Bank loans accrue interest at 3.8% and are repayable in equal quarterly instalments over 6 years or on a change of ownership. They are secured by a bond and floating charge over the assets of the Group.

The Group has provided an unlimited cross guarantee to the company's bankers between Macduff Fleet Engineering Limited, Macduff Fishing Fleet Limited, Glenalvah Limited, Macduff Shellfish (Scotland) Limited and Macduff Shellfish Group Limited. At 30 September 2015 the potential liability to the Group under this guarantee was £18,792k (2014 - £12,260k; 2013 - £12,260k).

The bank holds a bond and floating charge over all assets of the Group including a mortgage over each of the vessels, an assignment of each fishing licence and fishing quota and a standard security over the processing plant at Mintlaw in respect of overdrafts. Mr E D Beaton and Mr A Scott (director of Macduff Fishing Fleet Limited) have provided security by way of a charge over the life assurance policies in their names. There is also a cross guarantee across the Group companies.

On 30 October 2015, 100% of the shares of Macduff Shellfish Group Limited were acquired by Clearwater. The purchase price included the repayment of all outstanding bank loans and loan notes.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

21. Accruals and deferred income

Group	Government grants £'000
Balance at 1 October 2013	853
Amortisation in the year	(102)
Grants received during the year	210
Balance at 30 September 2014	961
Amortisation in the year	(116)
Grants received during the year	-
Balance at 30 September 2015	845

22. Capital and reserves

	2015 £'000	2014 £'000	2013 £'000
Share capital			
Allotted, called up and fully paid			
45,000,000 A ordinary shares of 1p each	450	450	450
45,000,000 B ordinary shares of 1p each	450	450	450
11,503,600 C ordinary shares of 1p each	115	115	108
13,650,096 Preference shares of £1 each	13,650	13,650	13,650
	14,665	14,665	14,658

The A & B ordinary shares have full voting dividend and capital distribution rights, albeit the A shareholders have an entitlement to a casting vote on certain matters. The C ordinary shares are non-voting shares.

On 30 October 2015, 100% of the shares of Macduff Shellfish Group Limited were acquired by Clearwater.

23. Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors utilise senior management throughout the Group to develop and monitor the Group's risk management policies and regular reports are made to the board on activity and progress.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors also oversee how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group periodically enters into derivatives as part of an active economic hedging program to manage financial risks. The Group has elected not to use hedge accounting for these instruments and consequently changes in fair value are reflected through profit and loss as they occur:

Summary of derivative financial instrument positions:

	2015 £'000	2014 £'000
Derivative financial assets		
Forward foreign exchange contracts	55	100
	55	100

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group is exposed to credit risk in the event of non-performance by counter parties to its derivative financial instruments but does not anticipate non-performance of any of the counter parties as the Group only deals with highly rated financial institutions.

Trade and other receivables

The Group has significant accounts receivable from customers operating in Europe and Asia. Significant portions of the Group's customers have been transacting with the Group in excess of five years and bad debt losses have been minimal. The Group has a policy of utilising credit reporting agencies and credit insurance to mitigate customer specific credit risk and country specific credit risk. As a result the Group does not have any significant concentration of credit risk.

23. Financial Instruments (continued)

Credit risk (continued)

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts of £202k (2014: £39k). The Group reviews accounts past due on a regular basis and provides an allowance on a specific account basis. Accounts are only written off completely when it becomes virtually certain that collection will not occur. Changes in allowance for doubtful accounts are summarised in the table below:

	2015 £'000	2014 £'000
Balance at 1 October	39	53
Allowance recognised	198	-
Reduction to allowance for doubtful accounts	-	(13)
Amounts written off as uncollectable	(35)	-
Balance at 30 September	202	39

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade and other receivables at the end of the reporting period by geographic region was as follows:

	Carrying amount 2015 £'000
United Kingdom	3,538
Other Eurozone countries	6,775
United States	2
Other regions	674
	10,989

The aging of trade and other receivables at the end of the reporting period that were not impaired was as follows:

	%	2015 £'000
Neither past due nor impaired	60.1%	6,606
Past due 30-60 days	24.9%	2,734
Past due 61-90 days	10.7%	1,173
Past due 91+ days	4.3%	476
		10,989

Cash and cash equivalents

The Group held cash and cash equivalents of £2,121k at 30 September 2015, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency ratings.

23. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity forecasts in order to monitor cash flow requirements. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount £'000	Total contractual cash flows £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	>2021 £'000
Trade and other payables	6,807	6,807	6,807	-	-	-	-	-
Bank overdraft	8,317	8,317	8,317	-	-	-	-	-
Interest – current debt	15,084	15,084	15,084	-	-	-	-	
Principal repayments – current debt	29,023	29,023	29,023	-	-	-	-	-
Operating leases	-	1,919	441	334	334	334	332	144
	59,231	61,150	59,672	334	334	334	332	144

The gross outflows disclosed in the previous table represent the contractual undiscounted cash flows relating to non-derivative and derivative financial liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily Euros but also USD. The currencies in which these transactions primarily are denominated are Euros and USD.

23. Financial instruments (continued)

Market risk (continued)

Interest on parent borrowings is denominated in the currency of the borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	2015 USD £'000	2015 Euro £'000	2014 USD £'000	2014 Euro £'000
Cash	104	(2,909)	10	(2,474)
Trade receivables	21	6,453	80	4,512
Trade payables	(10)	(188)	(2)	(109)
	115	3,356	78	1,929

	Average rate 2015	Average rate 2014	Year-end spot rate 2015	Year-end spot rate 2014
USD	1.54480	1.65650	1.51644	1.34860
Euro	1.34740	1.22090	1.34860	1.28000

The following table details the Group's sensitivity to a 10% change in the exchange rates against Sterling. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates. The change below is calculated based on the net exposure to the consolidated statements of financial position.

	2015 £'000	2014 £'000
USD	17	11
Euro	453	247

23. Financial instruments (continued)

Fair value of instruments:

The following tables set out the Group's classification and carrying amount, together with fair value, for each type of non-derivative and derivative financial asset and liability:

	Fair value		Amortised cost		Total	
30 September 2015	**Through profit or loss £'000**	**Derivatives £'000**	**Loans and receivables £'000**	**Non-derivative financial liabilities £'000**	**Carrying amount £'000**	**Fair value £'000**
Assets						
Cash	2,121	-	-	-	2,121	2,121
Trade and other receivables	-	-	9,778	-	9,778	9,778
Long-term receivables	-	-	1,211	-	1,211	1,211
Forward foreign exchange contracts	-	55	-	-	55	55
	2,121	55	10,989	-	13,165	13,165
Liabilities						
Bank overdraft	(8,317)	-	-	-	(8,317)	(8,317)
Loans and borrowings	-	-	-	(44,107)	(44,107)	(44,107)
Trade and other payables	-	-	-	(6,853)	(6,853)	(6,853)
	(8,317)	-	-	(50,960)	(59,277)	(59,277)

	Fair value		Amortised cost		Total	
30 September 2014	**Through profit or loss £'000**	**Derivatives £'000**	**Loans and receivables £'000**	**Non-derivative financial liabilities £'000**	**Carrying amount £'000**	**Fair value £'000**
Assets						
Cash	1,171	-	-	-	1,171	1,171
Trade and other receivables	-	-	7,660	-	7,660	7,660
Long-term receivables	-	-	1,211	-	1,211	1,211
Forward foreign exchange contracts	-	100	-	-	100	100
	1,171	100	8,871	-	10,142	10,142
Liabilities						
Bank overdraft	(6,986)	-	-	-	(6,986)	(6,986)
Long term debt	-	-	-	(34,602)	(34,602)	(34,602)
Loans and borrowings	-	-	-	(1,039)	(1,039)	(1,039)
Trade and other payables	-	-	-	(5,970)	(5,970)	(5,970)
	(6,986)	-	-	(41,611)	(48,597)	(48,597)

23. Financial Instruments (continued)

Fair value hierarchy

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The different levels have been defined as follows:

- Level 1: Fair value measurements defined from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below sets out the fair value measurements of financial instruments carried at fair value through profit and loss using the fair value hierarchy:

30 September 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets:			
Cash	2,121	-	-
Forward foreign exchange contracts	55	-	-
	2,176	-	-

30 September 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets:			
Cash	1,171	-	-
Forward foreign exchange contracts	100		
	1,271	-	-

The fair value estimates are not necessarily indicative of the amounts that the Group will receive or pay at the settlement of the contracts.

Accounting classifications and fair values

Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are not significantly different.

24. Operating leases

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases at 30 September 2015 are payable by the Group as follows:

	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'00	Total 2014 £'000
Less than one year	213	228	441	165	127	292
Between one and five years	853	481	1,334	662	254	916
More than five years	107	38	145	248	56	304
	1,173	747	1,920	1,075	437	1,512

During the period an amount of £427k was recognised as an expense in profit or loss in respect of operating leases.

25. Related parties

Transactions between Group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Refer to Note 17 for details of individual shareholdings.

Transactions with key management personnel

The Group considers key management personnel to be directors and senior management. The following table outlines the total compensation expense for key management personnel for the years ended 30 September 2015 and 2014.

	2015 £'000	2014 £'000
Wages and salaries	513	488
Bonuses	-	-
Other benefits	288	186
	801	674

Dividends to key management personnel

The following key management personnel were declared dividends during the year as outlined in the table below:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Mr F C Beaton	121	183	121	183
Mr P D Beaton	104	234	104	234
Mr E D Beaton	86	270	86	270
Mr A Scott	39	530	39	530
Mr R M Cunningham	23	46	23	46
Mr D Leslie	6	23	6	23
	379	1,286	379	1,286

25. Related parties (continued)

Transactions with other related parties

During the year, the Group was charged agency fees of £573k (2014 - £392k) by Bremmbeck Limited, a company in which three directors of the Group are directors and shareholders. The balance due to Bremmbeck Limited at the year end was £666k (2014 - £693k).

During the year, the Group paid rent and associated expenses of £293k (2014 - £240k) and sales of £nil (2014 - £1k) to Zulu Partners LLP, a limited liability partnership in which three directors of the Group are members. The balance due to Zulu Partners LLP at the year end was £nil (2014 - £10k).

During the year, the Group was charged £573k (2014 - £392k) of consultancy fees and expenses by Change Capital Partners LLP, an LLP in which two directors of the Group are Members. The balance due to Change Capital Partners LLP at the year end was £666k (2014 - £693k).

During the year, the Group paid £11k (2014 - £11k) in sponsorship to Deveronvale Football Club, a club in which one director of the Group is a director.

A member of senior management is the director and shareholder of Albatec Sport Limited. During the year £44k (2014 - £42k) was paid to Albatec Sport Limited in respect of rent payable on the company's office and £9k in respect of other goods and services (2014 - £8k). At 30 September 2015, £2k was owed to Albatec Sport Ltd (2014 - £Nil).

26. Capital management

The Group's objectives when managing capital are as follows:

- Ensure liquidity
- Minimise cost of capital
- Support business functions and corporate strategy

The Group's capital structure includes a combination of equity, loan notes and bank overdrafts. The Group's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange risk by borrowing when appropriate in currencies other than Sterling.

The Group uses leverage, in particular revolving and loan notes to lower its cost of capital.

The amount of debt available to the Group is dependent upon earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside the Group's control including, but not limited to, catch rates, selling prices, weather, exchange rates, fuel and other input costs.

The Group maintains flexibility in its capital structure by regularly reviewing forecasts and making any required changes to its debt and equity facilities on a proactive basis. These changes can include early repayment of debt, issuing new debt or equity, utilising surplus cash, extending the term of existing debt facilities, selling assets to repay debt and if required, limiting debt paid.

27. Subsequent events

On 9 October 2015 the Shareholders of the Group entered into an agreement with Clearwater, an unrelated party, to sell all issued and outstanding shares of the Group pursuant to certain conditions and approvals ("the Transaction"). The Transaction has been approved by the Board of Directors of the Group as well as the Board of Directors of Clearwater. On 30 October 2015 the transaction was completed. Pursuant to the terms of the underlying agreements, certain Group debt facilities, including shareholder loans and loan notes were impacted by the Transaction.

28. Contingent liabilities

The company is party to an Employee Benefit Trust and therefore may have a liability, (as yet undefined) to HMRC in this respect. There are however legal indemnities in place between the company and the individual participants of the scheme, such that any liability would be passed on to the individual parties.

29. Capital Commitments

	2015	2014
	£'000	£'000
Contracted but not provided for	400	-

30. Explanation of transition to IFRS

The tables in this note reconcile the previously reported consolidated financial statements of financial position and consolidated statement of profit and loss of Macduff Shellfish Group Limited prepared under UK GAAP to the comparative consolidated statements of financial position at 1 October 2013 and 30 September 2014, and the comparative consolidated statement of profit and loss for the year ended 30 September 2014 presented in accordance with IFRS.

As stated in Note 2a, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended 30 September 2015, the comparative information presented in these financial statements for 30 September 2014 and in the preparation of opening IFRS statement of financial position as at 1 October 2013 (The Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported in the represented consolidated financial statements prepared in accordance with previous UK GAAP. An explanation of how the transition from previous UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

IFRS 1 First-time adoption of International Reporting Standards ("IFRS 1"), which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening balance sheet on transition date of 1 October 2013, and allows certain exemptions on the transition to IFRS. The elections the Group have chosen to apply and that are considered significant to the Group include a decision to not restate previous business combinations and the accounting thereof.

30. Explanation of transition to IFRS (continued)

Statement of financial position at 1 October 2013

	UK GAAP £'000	IAS 2 Inventories £'000	IAS 16 Property, plant and equipment £'000	IAS 28 Investments in associates £'000	Other adjustments £'000	IFRS £'000
Assets						
Intangible assets	26,351	-	-	-	-	26,351
Property, plant and equipment	9,958	-	(19)	-	-	9,939
Trade and other receivables	214	-	-	-	-	214
Investments	736	-	-	(328)	-	408
Non-current assets	37,259	-	(19)	(328)	-	36,912
Inventories	5,171	350	-	-	-	5,521
Trade and other receivables	7,249	-	-	-	-	7,249
Cash and cash equivalents	1,448	-	-	-	-	1,448
Current assets	13,868	350	-	-	-	14,218
Total assets	51,127	350	(19)	(328)	-	51,130
Equity						
Share capital	14,658	-	-	-	-	14,658
Retained earnings	(4,924)	350	(19)	(328)	(13)	(4,934)
Total equity	9,734	350	(19)	(328)	(13)	9,724
Liabilities						
Loans and borrowings	29,126	-	-	-	-	29,126
Deferred income	853	-	-	-	-	853
Deferred tax liabilities	631	-	-	-	13	644
Non-current liabilities	30,610	-	-	-	13	30,623
Bank overdraft	3,652	-	-	-	-	3,652
Current tax liabilities	149	-	-	-	-	149
Loans and borrowings	713	-	-	-	-	713
Trade and other payables	6,269	-	-	-	-	6,269
Current liabilities	10,783	-	-	-	-	10,783
Total liabilities	41,393	-	-	-	13	41,406
Total equity and liabilities	51,127	350	(19)	(328)	-	51,130

30. Explanation of transition to IFRS (continued)

Statement of financial position at 30 September 2014

	UK GAAP £'000	IAS 2 Inventories £'000	IAS 16 Property, plant and equipment £'000	IAS 28 Investments in associates £'000	Other adjustments £'000	IFRS £'000
Assets						
Intangible assets	25,734	-	-	-	2,067	27,801
Property, plant and equipment	14,457	-	(212)	-	(454)	13,791
Amounts due to group undertakings	-	-	-	-	-	-
Trade and other receivables	916	-	-	-	-	916
Investments	436	-	-	(184)	-	252
Non-current assets	41,543	-	(212)	(184)	1,613	42,760
Inventories	8,077	1,357	-	-	-	9,434
Trade and other receivables	7,660	-	-	-	-	7,660
Derivative financial assets	-	-	-	-	100	100
Cash and cash equivalents	1,171	-	-	-	-	1,171
Current assets	16,908	1,357	-	-	100	18,365
Total assets	58,451	1,357	(212)	(184)	1,713	61,125
Equity						
Share capital	14,665	-	-	-	-	14,665
Retained earnings	(6,389)	1,357	(212)	(184)	1,497	(3,931)
Total equity	8,276	1,357	(212)	(184)	1,497	10,734
Liabilities						
Loans and borrowings	34,602	-	-	-	-	34,602
Deferred income	961	-	-	-	-	961
Deferred tax liabilities	776	-	-	-	(15)	761
Non-current liabilities	36,339	-	-	-	(15)	36,324
Bank overdraft	6,986	-	-	-	-	6,986
Current tax liabilities	72	-	-	-	-	72
Loans and borrowings	1,039	-	-	-	-	1,039
Trade and other payables	5,739	-	-	-	231	5,970
Current liabilities	13,836	-	-	-	231	14,067
Total liabilities	50,175	-	-	-	216	50,391
Total equity and liabilities	58,451	1,357	(212)	(184)	1,713	61,125

30. Explanation of transition to IFRS (continued)

Statement of profit and loss at 30 September 2014

	UK GAAP £'000	IAS 2 Inventories £'000	IAS 16 Property, plant and equipment £'000	IAS 28 Investments in associates £'000	Other adjustments £'000	IFRS £'000
Revenue	46,213	-	-	-	-	46,213
Cost of sales	(33,805)	(524)	-	-	-	(34,329)
Gross profit	12,408	(524)	-	-	-	11,884
Other operating income	109	-	-	144	-	253
Distribution expenses	(2,662)	-	-	-	-	(2,662)
Administrative expenses	(6,537)	1,531	(212)	-	1,400	(3,818)
Profit from operating activities	3,318	1,007	(212)	144	1,400	5,657
Finance income	28	-	-	-	100	128
Finance costs	(2,499)	-	-	-	-	(2,499)
Profit before tax	847	1,007	(212)	144	1,500	3,286
Tax expense	(784)	-	-	-	28	(756)
Profit for the period	63	1,007	(212)	144	1,528	2,530

The main changes to the Group's financial statements were as follows:

Statement of financial position

1. Inventory – As a result of differing accounting treatments between IFRS and UK GAAP relating to overhead absorption in inventory, inventory has increased by £1,357k for the year ended 30 September 2014 (30 September 2013 - £350k)

2. Intangible assets have increased as at 30 September 2014 due to the following:

   - Reversal of £1,400k of amortisation charges as goodwill is assessed for impairment annually under IFRS, resulting in an increase in goodwill of £667k.

   - Reclassification of £667k from property, plant and equipment as the result of a business acquisition being recorded at fair value.

3. Property plant and equipment – The carrying value of certain vessels as at 30 September 2014 have been adjusted to their fair value at date of acquisition, which has resulted in a decrease to property, plant and equipment of £667k.

4. Trade and other payables – As a result of reclassification of leases classified as operating leases under UK GAAP to finance leases, trade payables have increased by £231k.

30. Explanation of transition to IFRS (continued)

Statement of profit and loss

5. Amortisation charge – Under IFRS goodwill is assessed for impairment on an annual basis, while under UK GAAP it is amortised. As a result of this difference, a previously recognised amortisation charge of £1,400k was reversed for the year ended 30 September 2014.

6. Administrative expenses – As a result of reallocations between cost of sales and administrative expenses, administrative expenses has decreased by £1,532k for the year ended 30 September 2014, with a corresponding increase in cost of sales. Additionally, administrative expenses has increased by £121k due to the recording of disposal of previous asset upon betterment.

7. Cost of sales – As a result of differing accounting treatments between IFRS and UK GAAP relating to overhead absorption in inventory, cost of sales has decreased by £524k for the year ended 30 September 2014.

8. Depreciation charge – As a result of refining the degree to which the Group componentise vessels and plant the depreciation charge has increased by £92k for the year ended 30 September 2014.

9. Mark-to-market on derivatives – As a result of recognising the fair value of the foreign currency derivatives held by the Group, a mark-to-market adjustment of £100k was recorded for the year ended 30 September 2014.

10. Other operating income – As a result of recording investments at fair value, other operating income has increased by £144k for the year ended 30 September 2014.

11. Deferred incomes taxes – Deferred taxes decreased by £28k for the year ended 30 September 2014 due to the tax impact of the other IFRS adjustments.

Statement of cash flows

There were no material changes to the statement of cash flows.

31. Controlling party

The Group is controlled by Clearwater as of 30 October 2015 as per note 27.