

Marine Scotland
Mailpoint 08
1B North Victoria Quay
Edinburgh
EH6 6QQ

Date: 11/01/2017

Wester Ross Fisheries Limited
Ardmair
Ullapool
Ross-Shire
IV26 2TN

EUROPEAN MARITIME AND FISHERIES FUND (EMFF): OFFER OF EUROPEAN FUNDING

PROJECT REFERENCE NO: SCO1349

Dear

I am pleased to inform you that your application for EMFF funding for the project titled "Modernisation and Sustainable Growth in Salmon Aquaculture" has been successful and I am able to offer you funds subject to specific conditions as follows:

Total project cost as quoted in your application	£2,174,421.78	
Total Approved Cost	£2,174,421.78	
Approved National Funding	£135,901.73	6.25%
Approved EMFF Funding Amount	£815,408.16	37.50%
Total Approved Funds	£951,309.89	43.75%

Eligible project costs are based on the following details taken from the information supplied with your application:

Work to be carried out	Supplier	Cost
Ardmair Steel Pens	AKVA	£1,108,500.00
Ardmair Pen Nets	Net Supply/Boris Nets	£127,936.00
Ardmair Top Predator Nets	Net Supply/Boris Nets	£7,328.00
Ardmair Mooring System	Gael Force Marine Equipment	£160,961.60
Ardmair and Ardesie Pen and Mooring Installation	Seahorse Aquaculture	£17,500.00
Ardesie Mooring System	Gael Force Marine Equipment	£71,169.76
Ardesie Pen Nets -	Net Supply/Boris Nets	£55,972.00
Ardesie Top Predator Nets	Net Supply/Boris Nets	£3,206.00
Ardmair and Ardesie Swim-through Nets	Net Supply/Boris Nets	£3,140.00
Ardesie Seal Scarer	Mohn Aqua	£17,960.10
Ardesie Seal Scarer System Electronics	Watt Marine Limited	£6,590.07
Ardesie Workboat	Malakoff Limited	£28,329.25
Ardesie Pen Group Generator	Highland Industrial Supplies Limited	£2,295.00
Ardesie Predator Side Nets x 16	Net Supply/Boris Nets	£45,584.00
Ardesie Anti-Maturation Lighting System	AKVA	£25,550.00
Ardesie Steel Pens	AKVA	£492,400.00
Total Approved Funds		£2,174,421.78

This offer is made in accordance with the European Maritime and Fisheries Fund (Grants) (Scotland) Regulations 2015 and is subject to the conditions which are contained in the attached "Conditions of European funding". Failure to adhere to these conditions may result in the refusal of payment or, in the event payment has already been made, in steps to recover monies from you.

We have enclosed the "Conditions of European Funding". You should read these carefully and then sign the attached declaration confirming that you accept the conditions. Please return the completed declaration to the Marine Scotland European Grants Team within 14 days of the date of this Offer Letter. If we do not have a response by then this offer of funding may be withdrawn.

Drawing on the information in your application, your project is expected to achieve the following targets and benefits:

The strength and durability of steel pens increases the operational longevity of a pen group, which is approximately double the lifespan of wooden pens (20 years steels vs 10 years woods) and reduces the requirement for and cost of preventative maintenance. Modernising pen design would have health and safety benefits as steel pens would provide a safer working platform for staff, especially in rough weather. There would be benefits to fish health and welfare through improved biosecurity standards and an improvement in cleanliness and hygiene vs wooden cages. The proposed 15 m steel Wavemaster pens meet the 'Scottish Technical Standards for Scottish Finfish Aquaculture' regulations due to come into force in 2020 and therefore brings the company into compliance ahead of the regulations coming into force. Through the site developments at Ardmail and the creation of a new pen group at Ardesie, WRF aims to sustainably increase annual production by circa 25 %. The two developments would allow the company to employ 3-4 more full time staff as well as further secure the future of the other 59 full and part time staff members. The addition of a new site will increase the continuity of production, a significant challenge for a SME with a small number of discrete production sites and help drive export sales for a product which is Scotland's premier food export. The significant investment by WRF in both Ardmail and Ardesie developments would substantially increase investment in our supply chain, directly benefiting other Scottish owned SMEs such as Migdale Smolt Ltd. EMFF AIMS Increase net profit £598,766.25 Increase Atlantic Salmon production to 1500t by 2018 Increase aquaculture annual value by £7,430,000 by 2018

You must inform us of any circumstances which may cause these targets to vary and report on progress towards these targets in your project progress reports required at paragraph 26 of the "Conditions of European Funding".

Please note that your application was acknowledged on 11/07/2016 and you cannot claim for costs incurred on your project prior to this date with the exception of items outlined in paragraph 8 of the "Conditions of European Funding". According to your application the project was expected to take 576 days to complete, based on a start date of the date of this Offer letter your completion date will be 31/05/2018.

Payment of funds can only be made after proven expenditure has been incurred and you have submitted a claim. To claim for payment you will need to submit a claim using your account on the EMFF e-system. You should include original invoices or invoices emailed directly from your supplier along with proof of payment i.e. bank statement to show the dates and amounts paid.

For help on how to make a claim please refer to the separate Claim Guidance, which can be found on our website. Your claim schedule is as follows:

Claim Schedules

Forecast Date	Forecast Amount	Approved Forecast Date	Approved Forecast Amount
01/03/2017	1,108,500.00	01/03/2017	1,108,500.00
02/07/2017	318,253.00	02/07/2017	318,253.00
03/09/2017	513,650.00	03/09/2017	513,650.00
05/02/2018	214,964.79	05/02/2018	214,964.79
05/03/2018	19,053.99	05/03/2018	19,053.99

Your final claim for payment should be submitted by 31/08/2018 at the latest using your account on the EMFF e-system.

Claim enquiries should be directed to:

Email: emff@gov.scot
Telephone: 0131 244 4646

Please advise Marine Scotland of any change to the expected completion date, which will cause a delay in the submission of your claim.

Your project progress reporting and post progress reporting schedule is as follows:

Progress Report Schedules

Due Date	Comment
01/03/2017	Progress report
02/07/2017	Progress report
03/09/2017	Progress report
05/02/2018	Progress report
05/03/2018	Progress report due at end of project

Post Project Monitoring Schedules

Due Date	Comment
05/03/2021	Post Project Monitoring highlighting targets and benefits

In order to pay claims Marine Scotland require a letter on your companies headed paper (or containing the name, address & phone no. of your company), containing your:

- Bank/Building society account name;
- Bank/Building society address;
- Account number;
- Sort code;
- Finally you as the applicant should sign & print your name & give your position in the company.

This letter is used by us to register your bank details in our system so we can pay your claims.

When you have completed this letter, please return it to:

Address

Grants Team
Marine Scotland
Mailpoint 8
1B North Victoria Quay
Edinburgh

EH6 6QQ

Contact Number

0131 244 4646

Email

emff@gov.scot

Web Address

<http://www.gov.scot/Topics/marine/grants-subsidies>

If you have any queries regarding the approval of your application, general or specific conditions of your European funding, or any aspect of this offer or funding please contact the Marine Scotland.

Yours sincerely,

Adam Groat

Marine Scotland

Terms and conditions of an offer of grant under the European Maritime and Fisheries Fund (EMFF)

Applicant: Wester Ross Fisheries Limited

Project Name: Modernisation and Sustainable Growth in Salmon Aquaculture

Application Reference No: SCO1349

Conditions of European Funding

1. In these Conditions:
 - a. **You** means the funding recipient. You will be responsible for ensuring that all of the terms and conditions for European funding are fulfilled. In particular, this means that you will be expected to retain ownership of the work which is being European funded;
 - b. **We** means the Marine Scotland;

Special Conditions

2. Please provide evidence of Other National Funding Provide evidence of any planning or other consents required for your project if applicable
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General Conditions

3. You must inform the Marine Scotland in writing and await approval of any of the following changes before you implement them;
 - If you plan to modify your project;
 - If you plan to change the funding package;
 - If you plan to increase or decrease the cost of the project;
 - If you plan to change the contractors and/or suppliers specified in the offer letter,
 - If you plan to change the timetable of the project, or
 - If you plan to sell any item of infrastructure or stop or relocate any activity which the project is dependent on.
 4. You must provide justification for any such changes by either notifying us on your account on the EMFF e-system or writing to us at the address provided in this Offer Letter. If you fail to notify us, any resulting costs associated with the change could become ineligible for European funding. Additionally, if you make any changes to your project without our prior approval, we may revise or cancel the European funding award.
 5. The information provided in this letter must only be taken as a guide to the available funding. The legal basis for the European funding is Article 48.1adfh of Council Regulation (EC) 508/2014
 6. The award of European funds is based on statements made by you or your representative or agent in your application form and, if applicable, subsequent correspondence. The making of false statements is an offence
 7. If the European funds awarded to you are not used for the purpose for which it was granted it will breach these conditions. In the event that false or inaccurate information is discovered, we may consider withdrawal of the offer of European funds and give consideration to investigating the matter further. We may take such enforcement action, including criminal prosecution as we consider appropriate. In such circumstances we may also seek to recover any European funding paid.
 8. Projects that have started, been physically completed or fully implemented prior to receiving a written acknowledgement from Marine Scotland even though they may meet the scheme objectives and priorities cannot be funded.
 9. The EMFF scheme cannot give funding retrospectively however there are exceptions to this rule. Costs incurred prior to acknowledgement of your application to the Marine Scotland and up to a value of 10% of the total eligible project costs can be considered eligible for reimbursement. These costs must be directly related to your project and considered essential to bringing your application to submission stage. The eligibility of these costs are at the Marine Scotland's discretion and are not guaranteed and are undertaken entirely at your own risk.
 10. Projects can commence after receiving a written acknowledgement from Marine Scotland. Any costs you have incurred between receiving your written acknowledgement from the Marine Scotland and receiving your written decision were incurred at your own risk as applying to the scheme does not guarantee approval of funding even if the project may meet the scheme objectives and priorities.
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11. You cannot use the European funds to cover the cost of interest on debt. You may not use the European funds for the purchase of land if it exceeds 10% of the total expenditure of the project.
12. European funds cannot be paid in relation to any item not owned by you. Any items on hire purchase or leasing agreement must be paid for in full before they can be reimbursed by European funding.
13. We cannot pay European funding on replacement equipment in the event of loss where the costs have been recovered in whole or in part under an insurance policy or by way of compensation or damages.
14. You as the applicant agree to meet any legal obligations imposed under EU and UK law, statutory instrument or by-law, to obtain any necessary consents, rights and way leaves, give any necessary notices and meet any specific rules, regulations and/or standards which may be relevant to the project. Measures relating to the improvement of the environment must comply with the requirements of EU and UK legislation relating to the Common Provision Regulation European Regulation (EC) No 1303/2013, the environment and to water quality.
15. For projects in the public sector, EU public purchasing rules must be fully adhered to
16. It is your responsibility to ensure compliance with all relevant legal requirements of their projects, and to ensure that any goods or services purchased with European funding meets all necessary legal requirements. If gear or a piece of equipment purchased subsequently becomes obsolete or illegal then this is at your own risk. There can be no refunds or claims against the scheme in such circumstances.
17. As European funding is provided as a percentage of eligible costs if the eligible costs decrease then so will the European fund award.
18. If you subsequently apply for and/or receive funding from a further source not stated on your application form, you must inform the other sources of any other funding you have been awarded, including EMFF and Marine Scotland funds. You must also inform the Marine Scotland of any such award of funds. If you receive funding from another source, this may affect your entitlement to European funding. Funding may be withheld, withdrawn or be required to be repaid depending on the source, value, and conditions of other funding. In particular, you should not receive financial assistance for your project from another European Commission scheme
19. Your claim for payment will not be paid if you have not accepted the terms of this Marine Scotland Offer Letter. You are required to sign and return the Acceptance of Offer of European funding to the European Grants Team at the Marine Scotland.
20. The European funding payable will relate to the amount of eligible expenditure you have incurred excluding recoverable VAT. An exception to this rule may be made if you are not registered for the purposes of VAT and you are unable to recover VAT from your costs. In such cases, a declaration that you are not VAT registered will need to be provided before payment on a VAT-inclusive basis can be considered
21. In addition, if you were previously not VAT registered, but have subsequently become VAT registered, you must notify us as soon as possible.
22. The European funding will be paid only after proven expenditure has been incurred and a claim has been submitted to the Marine Scotland. Before any payments can be made, you must submit claims on the Claim Form in the EMFF e-system (other formats available upon request) together with all necessary documentation including original invoices or invoices emailed directly from the supplier along with your proof of payment i.e. a bank statement. At this stage you may be asked to provide further details and information in support of your claim
23. You will be asked to provide evidence of other national match funding you have received if this applies to your project.
24. Awards should be claimed in accordance with the claims schedule agreed in your Offer Letter. The dates by which your project should be completed and claims submitted are also stated in this Offer Letter. The final claim must be submitted within 3 months of the end of your project as specified in this Offer Letter
25. Failure to observe the timetable for carrying out the project could lead to the cancellation or reduction of the European funding awarded. However, before any such cancellation or reduction is made, we will seek an explanation for any delay from you.
26. All claims must also be accompanied by a progress report. It is important that we monitor the progress of all approved projects and you will therefore be asked to provide updates on progress with your project in line with the agreed schedule. Additionally you will be required to submit a progress report on your business and performance of the project on an annual basis for 3 years from the date of payment of the final payment of European funding. You will therefore have both 6 monthly progress reports and annual performance reports to provide
27. We may withhold part or all of the funding we are not satisfied that you have properly incurred the expenditure or that you have not carried out any necessary actions relating to the funds.
28. We may require part or all of the European funding to be repaid if it transpires that you made a fraudulent statement in your application or subsequent correspondence, the European funds was not used for the purpose for which it was granted or any condition of European funding has not been complied with. You may be required to pay interest on the sum recovered.

29. If you fail to fulfil the conditions related to eligibility and duration, financial consequences and corrections will apply. In order to determine the amount of such a financial correction, the nature, gravity, duration and repetition of the infringement, offence or fraud and the importance of the European contribution to your project will be taken into account.
30. You must retain all original project-related documents for 5 years from the date of the last EMFF claim. At any time up to that date European Commission auditors may wish to inspect any or all original documentation, including, amongst other things, order forms and delivery notes for plant and equipment; bills of quantity; tenders, estimates and quotations; architects' (etc.) certificates; statements and invoices; relevant books of account; drawings, plans and technical specifications. Failure to retain documentation or to allow documentation to be viewed as outlined is an offence and action may be taken by the Marine Scotland.
31. Wherever possible the project shall be available for inspection at all reasonable times by either European Commission, UK Government representatives, European Court of Auditors. You are required, if requested, to permit access to the vessel, vehicle or business premises related to the application for grant and information about your project to those parties noted above. You must provide them with access to relevant documents and give them such assistance as they may reasonably request in the exercise of their duties under the scheme.
32. The Marine Scotland may write to you subsequently to request certain information to assist it with the monitoring and evaluation of your project. Your name and address may therefore be passed (in confidence) to an evaluator commissioned by the Marine Management Organisation to undertake independent evaluation. Supply of this information within a reasonable period of the request is a condition of the payment of European funds. Failure to supply the information could lead to cancellation or reduction of the funding awarded, or a requirement to repay European funds already paid.
33. The priorities of the European Union in relation to sea fisheries, EU enforcement and control policies require the landing of all catches as provided for in Article 15 of Regulation (EU) No 1380/2013; of the catch certificate scheme provided for in Chapter III of Regulation (EC) No 1005/2008; and of traceability requirements, including labelling systems to ensure reliable information for consumers, as provided for by Article 58 of the Regulation (EC) No 1224/2009 and Article 67(6) of Implementing Regulation (EU) No 404/2011.
34. If the project generates net revenue during its implementation, the eligible expenditure of the project approved by the Marine Scotland shall be reduced by the net revenue not taken into account at the time of approval of the project. The net revenue considered must be directly generated during the project's implementation, not later than at the final payment claim submitted by you. Where not all the costs are eligible for funding, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the cost.
35. You must not modify your project within five years of the award of European funds if that modification would affect the nature of your project or any condition imposed on its implementation or would result in an unfair advantage being given to any third party, this is known as durability of operations. Within that period, you must also not dispose of any assets or infrastructure or stop or relocate any activity if that would result in a modification to your project.
36. If you are an owner of a fishing vessel, or supporting one through your project, that vessel shall not be transferred outside the European Union during at least the five years following the date of actual payment of that funding to you. If a vessel is transferred within that time-frame, sums unduly paid in respect of the project shall be recovered by the Marine Scotland, in an amount proportionate to the period during which the condition set out in the first sentence of this paragraph has not been fulfilled.
37. If you are an owner of a fishing vessel, or supporting one through your project, and the vessel is sold or transferred within the European Union during at least the five years following the date of actual payment of that funding to you, the new owner of the vessel must accept the terms and conditions of this offer of funding. If the new owner does not accept the terms and conditions of this offer of funding then you as the applicant may be required to re-pay all or some of the funding paid to you.
38. All installation and/or modification work undertaken by the owner/skipper of the vessel must meet MCA safety/stability requirements, whether funded by EMFF or otherwise. Responsibility for any work undertaken which renders a vessel unstable or unsafe remains entirely with the owner/skipper of the vessel.
39. Items purchased using public funding from the EMFF Scheme must be owned and used for their original purpose for a minimum of five years, except where State Aid rules provide for a different period or the items are leased. In the case of a project comprising investment in infrastructure or productive investment, and where the applicant is not a Micro, small or medium enterprise (SME), you will be required to repay the funding contribution from the EMFF scheme if, within 10 years of the final payment to the project, the project or its activity is subject to relocation outside of the European Union. Some or all of the funding for projects that do not meet the Durability of Operations above will be recovered.
40. The European Commission and the Marine Scotland will publish brief details of all successful projects; including legal entity or organisation's name, short project descriptions and any European funds awarded to ensure transparency. You as the applicant agree that acceptance of funding constitutes inclusion of your details in the list of projects to be published by the Marine Management Organisation in accordance with Article 119(2) of the EMFF Regulation.

41. You must comply with the provisions on ineligibility contained in Regulation (EU) 2015/288 and the ineligibility guidance to the UK EMFF scheme. You must notify the Marine Scotland if you are found to have committed a fraud (as defined in the guidance) or a serious infringement prior to applying for funding or at any point up to five years from the date of the final payment made under this offer of grant.
42. It is necessary to ensure that where possible a separate accounting system or code for funding transactions should be used.
43. You will need to comply with communication activities proportionate to the size of your project, such as the use of your website and/or social or print media, to inform the public about your project, its aims and the amount of European funding you received. In addition projects must acknowledge they have received European funding to the public. Projects must display;
 - i. The Union emblem in accordance with the technical characteristics are available on the EC website
 - ii. A reference to the Fund or Funds supporting your project. This is most likely to be the European Maritime and Fisheries Fund (EMFF) however it's possible you have received funding from other European Funds in which case a reference the 'ESI Funds' meets requirements
 - iii. Providing on your website, where such a website exists, a short description of the project, proportionate to the level of support, including its aims and results, and highlighting the financial support from the European Union;
 - iv. Placing, for projects not falling under point c above, at least one poster with information about the project (minimum size A3), including the financial support from the European Union, at a location readily visible to the public, such as the entrance area of a building.and; No later than 3 months after completion of your project, you must put up a permanent plaque or billboard of significant size at a location readily visible to the public for each project that fulfils the following criteria: The total public funding for the project exceeds EUR 500 000 (based on the exchange rate at the time of application); The project consists of the purchase of a physical object or of the financing of infrastructure or of construction operations. The plaque or billboard shall state the name of the project as well as the EU logo, Marine Scotland logo and the phrase 'Investing in sustainable fisheries'. If you are required to put up a plaque or billboard as above and you do not you will be deemed to have not fulfilled the terms and conditions of the grant awarded to you and funding may be recovered.

This Offer Letter comprises the terms and conditions under which the EMFF award is made and is issued in duplicate. You are asked to read all of the terms and conditions carefully and if these are wholly accepted by yourself, to sign, date and return one copy of this letter to this office within 14 days of the date of this Offer Letter.

Application Reference number: SCO1349

Signed European Grants Team: Adam Groat

ACCEPTANCE of OFFER of EMFF

I certify that I have read the conditions attached to the offer of EMFF scheme and agree to be bound by them for the purposes of European Commission EMFF funding and, the accompanying Marine Scotland funding support. I accept the offer of European funding assistance dated 11/01/2017 which is subject to those conditions.

Name (in BLOCK LETTERS):	
Signature:	
Job Title:	
Date:	