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Company Registration No 140736 (Scotland)

Moray Holdings Limited

Annual Report

For the year ended 28 August 2007

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MORAY HOLDINGS LIMITED

DIRECTORS AND ADVISERS

Directors	Mrs I E Eckersley C G Eckersley J E Eckersley
Secretary	CLP Secretaries Limited
Company number	140736
Registered office	3 13 Low Street Buckie Banffshire AB56 1UX
Auditors	Johnston Carmichael Commerce House South Street Elgin IV30 1JE
Bankers	Bank of Scotland 21 East Church Street Buckie Banffshire AB56 1DN
Solicitors	The Commercial Law Practice Commercial House 2 Rubislaw Terrace Aberdeen AB10 1XE

MORAY HOLDINGS LIMITED

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MORAY HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 AUGUST 2007

The directors present their report and financial statements for the year ended 28 August 2007

Directors

The following directors have held office since 29 August 2006

Mrs I E Eckersley
C G Eckersley
J E Eckersley

Principal activities and review of the business

The principal activity of the group is that of seafood processing

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non complex nature of our business and is written in the context of the risks and uncertainties we face

As a food processing business, we continue to deal in shellfish with activities organised into the following sectors

Export
UK domestic

We consider our key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being turnover, material margin and cash available

The turnover of the group by sector was as follows

	2007	2006
	£000	£000
Export	5,200	5,400
UK	7,500	6,000

All areas of the business remained strong during the year and this leaves the group in a good position for the future. Sales have increased by a further 10% despite fierce competition in the market and without additional capacity at the group's premises. Export sale values were disappointing but show signs of recovery and a strategy has been developed to expand these operations, while UK sales built further on winning a major new client during the prior year.

As forecast last year, overall profitability further declined in the face of continuing competition and rising raw material prices along with further increases in overhead costs, most noticeably labour costs, fuel/transport and effluent charges. In addition, significant costs were also incurred as a result of a quality issue resulting in a major product recall. This made a significant contribution to the losses incurred. In addition, following discussions with our Auditors, it was agreed to reduce the value of the Assets held to reflect "open market value" rather than "continuing use". This created a very significant impairment write off.

However, it is important to know that the family owners of the business have indicated their continuing support, confidence and commitment to the group by making a contribution in the form of providing for loans due to them equivalent to 100% of the full losses arising in Moray Seafoods this year. This adjustment is reflected in the 2007 Accounts of the Holding Company Moray Holdings Ltd, and leaves Group net worth unchanged.

MORAY HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

Continuing losses inevitably drains cash resources, however, careful management together with some additional funding contributed from the owners alleviated any problem during the year. With positive figures expected through the busy Christmas period, more than adequate balances and availability are anticipated.

As with many groups of our size, and for all businesses in this industry, the trading conditions in which we operate continue to be very challenging, as evidenced by several competitors ceasing to trade during 2007. In the face of reduced margins, both the UK and Export markets are increasingly competitive, and with erratic and unpredictable supply, margins will continue to be disappointing. We face severe competition, on both sales and supply fronts, and remain subject to consumer spending patterns as well as their levels of disposable income. Consequently the Directors recognise the difficult business environment in which we currently operate and as a result have utilised external consultants extensively throughout 2007 to undertake a detailed and comprehensive Business Review. A broadly favourable report has since been supplemented by a Strategy, Action Plan and detailed Cost Savings and efficiency schedule currently being implemented.

As a result, we remain confident that recent and forecast sales growth places us in a strong position and we anticipate that the recently stabilised trading position will continue to improve generating satisfactory profits from Spring 2008 onwards.

Results and dividends

The consolidated profit and loss account for the year is set out on page 6.

The directors do not recommend payment of an ordinary dividend.

	2007 £	2006 £
During the year the group made the following payments		
Charitable donations	2,706	1,240

The total charitable donations of £2,706 (2006 £767) were made to local charities, no donations were made to national charities in the year (2006 £473).

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records which 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 1985. 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.

MORAY HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

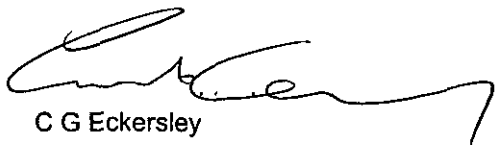
Statement of disclosure to auditor

The directors confirm that,

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information

On behalf of the board



C G Eckersley
Director
19th March 2008

MORAY HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MORAY HOLDINGS LIMITED

We have audited the group and parent company financial statements ("the financial statements") of Moray Holdings Limited for the year ended 28 August 2007 set out on pages 6 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements within it. Our responsibilities do not extend to any further information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MORAY HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MORAY HOLDINGS LIMITED

Opinion

In our opinion

the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 August 2007 and of the group's profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the directors' report is consistent with the financial statements

Emphasis of matter going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group and company's ability to continue as a going concern. Prior to exceptional items the group incurred an operating loss during the year. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.


Johnston Carmichael

Chartered Accountants
Registered Auditor

20 March 2008

Commerce House
South Street
Elgin
IV30 1JE

MORAY HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 AUGUST 2007

	Notes	2007 £	2006 £
Turnover	2	12,725,901	11,501,564
Cost of sales		(11,782,493)	(10,376,726)
Gross profit		943,408	1,124,838
Administrative expenses		(1,332,846)	(1,340,870)
Exceptional property impairment	3	(500,000)	
Exceptional loan provision	3	987,000	
Other operating income		11,432	8,721
Operating profit/(loss)	3	108,994	(207,311)
Profit on sale of tangible assets		6,881	350
Profit/(loss) on ordinary activities before interest		115,875	(206,961)
Other interest receivable and similar income		165	22
Interest payable and similar charges	4	(114,855)	(99,679)
Profit/(loss) on ordinary activities before taxation		1,185	(306,618)
Tax on profit/(loss) on ordinary activities	5		50,461
Profit/(loss) on ordinary activities after taxation		1,185	(256,157)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

MORAY HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 28 AUGUST 2007

	Notes	2007 £	2006 £
Exceptional loan provision	3	987,000	
Operating profit		987,000	
Amounts written off investments	7	(985,815)	(355,711)
Profit/(loss) on ordinary activities before taxation		1,185	(355,711)
Tax on profit/(loss) on ordinary activities			
Profit/(loss) for the year	15	1,185	(355,711)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

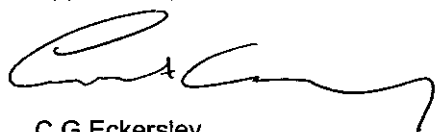
MORAY HOLDINGS LIMITED

BALANCE SHEETS AS AT 28 AUGUST 2007

		Group		Company	
	Notes	2007	2006	2007	2006
		£	£	£	£
Fixed assets					
Tangible assets	6	812,317	1,277,147		
Investments	7			832,674	1,818,489
		<u>812,317</u>	<u>1,277,147</u>	<u>832,674</u>	<u>1,818,489</u>
Current assets					
Stocks	8	1,285,875	1,269,127		
Debtors	9	2,807,946	2,673,335	1,152	1,152
Cash at bank and in hand		6,448	14,404		
		<u>4,100,269</u>	<u>3,956,866</u>	<u>1,152</u>	<u>1,152</u>
Creditors' amounts falling due within one year	10	(4,109,829)	(3,903,446)	(110,616)	(631,458)
Net current (liabilities)/assets		<u>(9,560)</u>	<u>53,420</u>	<u>(109,464)</u>	<u>(630,306)</u>
Total assets less current liabilities		802,757	1,330,567	723,210	1,188,183
Creditors' amounts falling due after more than one year	11	(386,501)	(901,948)	(345,287)	(811,445)
Accruals and deferred income	12	(38,333)	(51,881)		
		<u>377,923</u>	<u>376,738</u>	<u>377,923</u>	<u>376,738</u>
Capital and reserves					
Called up share capital	14	2,025,495	2,025,495	2,025,495	2,025,495
Profit and loss account	15	(1,647,572)	(1,648,757)	(1,647,572)	(1,648,757)
Shareholders' funds	16	<u>377,923</u>	<u>376,738</u>	<u>377,923</u>	<u>376,738</u>

Approved by the Board and authorised for issue on

19th March 2008



C G Eckersley
Director



J E Eckersley
Director

MORAY HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 AUGUST 2007

	2007	2006
	£	£
Net cash outflow from operating activities	(170,403)	(35,074)
Returns on investments and servicing of finance		
Interest received	165	22
Interest paid	(115,847)	(100,200)
Net cash outflow for returns on investments and servicing of finance	(115,682)	(100,178)
Capital expenditure		
Payments to acquire tangible assets	(97,336)	(18,881)
Receipts from sales of tangible assets	6,883	2,681
Net cash outflow for capital expenditure	(90,453)	(16,200)
Net cash outflow before management of liquid resources and financing	(376,538)	(151,452)
Financing		
Government grant received		18,205
Repayment of long term bank loan	(75,000)	(75,000)
Movement in directors' current accounts	101,907	(106,248)
Increase in advances from factors	404,913	316,992
Capital element of hire purchase contracts	(43,457)	(43,510)
Net cash inflow from financing	388,363	110,439
Increase/(decrease) in cash in the year	11,825	(41,013)

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 28 AUGUST 2007

1	Reconciliation of operating profit/(loss) to net cash outflow from operating activities	2007	2006
		£	£
	Operating profit/(loss)	108,994	(207,311)
	Depreciation and impairment of tangible assets	657,822	174,394
	(Increase)/decrease in stocks	(16,748)	25,336
	Increase in debtors	(136,303)	(519,680)
	Increase in creditors within one year	216,380	500,908
	Movement on grant provision	(13,548)	(8,721)
	Loans written off	(987,000)	
	Net cash outflow from operating activities	(170,403)	(35,074)

2	Analysis of net debt	29 August 2006	Cash flow	Other non cash changes	28 August 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	14,404	(7,956)		6,448
	Bank overdrafts	(422,053)	19,781		(402,272)
		(407,649)	11,825		(395,824)
	Finance leases and hire purchase	(67,580)	43,457	(52,000)	(76,123)
	Debts falling due within one year	(608,852)	75,000	477,602	(56,250)
	Debts falling due after one year	(867,695)		522,408	(345,287)
		(1,544,127)	118,457	948,010	(477,660)
	Net debt	(1,951,776)	130,282	948,010	(873,484)

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

3 Reconciliation of net cash flow to movement in net debt	2007	2006
	£	£
Increase/(decrease) in cash in the year	11,825	(41,013)
Cash outflow from decrease in debt	118,457	118,510
Change in net debt resulting from cash flows	130,282	77,497
Loan stock written off	533,852	
New finance leases and hire purchase	(52,000)	
Directors' loans written off	453,148	
Transfer of directors' current account to long term debt	13,010	32,744
Movement in net debt in the year	1,078,292	110,241
Opening net debt	(1,951,776)	(2,062,017)
Closing net debt	(873,484)	(1,951,776)

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 AUGUST 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

Going concern

The group meets its day to day working capital requirements through a bank overdraft, a bank loan and an invoice discounting facility from the Bank of Scotland. The group recognises that, although it has a substantial excess of assets over liabilities, it remains dependent on the support of bankers for third party finance and the directors believe that adequate funding will be available for the forthcoming year. In the period since August 2007, the business has also seen a positive upturn in trade and an improvement in margin. In view of this and the expected support of the bank the directors believe it is appropriate to prepare the financial statements on the going concern basis.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking Moray Seafoods Limited made up to 28 August 2007. 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.

1.4 Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the undertakings concerned.

1.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	Straight Line over fifty years
Plant and machinery	10 20% Straight Line / 15% Reducing Balance
Motor vehicles	25% Reducing Balance

Impairment losses are provided for in respect of assets no longer in use and for which there is no readily ascertainable market value.

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

1 Accounting policies

(continued)

1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

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

1.9 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value with proper provision being made for obsolete and slow moving stock. Cost comprises the invoiced price of goods and materials purchased on a first in first out basis. The cost of work in progress and finished goods comprises cost of materials, direct labour and attributable overheads according to the stage of manufacture. Net realisable value is based on estimated selling price, less any further costs expected to be incurred to completion and disposal.

1.10 Pensions

The group operates a defined contribution scheme in respect of certain directors and contributes to group personal pension plans and individual pensions in respect of certain of its employees. The assets of these schemes are held separately from those of the group in independently administered funds. The pension costs charged in the financial statements represent the contributions payable by the group during the year in accordance with FRS 17.

1.11 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.13 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

2 Turnover

The total turnover of the group for the year has been derived from its principal activity

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below

	2007 £	2006 £
Geographical segment		
UK	7,479,345	6,067,139
Europe	5,246,556	5,434,425
	<u>12,725,901</u>	<u>11,501,564</u>

3 Operating profit/(loss)

	2007 £	2006 £
Operating profit/(loss) is stated after charging		
Depreciation of tangible assets	657,822	174,394
Operating lease rentals		
Plant and machinery	2,107	2,999
Auditors' remuneration (company £ , 2006 £)	15,000	14,500
and after crediting		
Profit on foreign exchange transactions	(5,080)	(39,993)
Exceptional directors' loan provision (note 20)	(987,000)	
	<u></u>	<u></u>

The depreciation of tangible assets includes an exceptional property impairment of £500,000

All auditors' remuneration was paid by the subsidiary company, Moray Seafoods Limited

4 Interest payable

	2007 £	2006 £
On bank loans and overdrafts	27,799	33,530
Hire purchase interest	6,985	7,530
Other interest	80,071	58,619
	<u>114,855</u>	<u>99,679</u>

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

5	Taxation	2007 £	2006 £
	Current tax charge		
	Deferred tax		
	Deferred tax credit current year		(50,461)
			(50,461)
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	1,185	(306,618)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2006: 19.00%)	237	(58,257)
	Effects of		
	Non deductible expenses	574	1,898
	Depreciation add back	31,564	29,945
	Capital allowances	(22,899)	(17,041)
	Tax losses carried forward	91,614	42,315
	Impairment of property	100,000	
	Exceptional loan provisions	(197,400)	
	Other tax adjustments	(3,690)	1,140
		(237)	58,257
	Current tax charge		

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

6 Tangible fixed assets Group

	Land and buildings freehold £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 29 August 2006	1,118,380	2,945,317	29,390	4,093,087
Additions		192,994		192,994
Disposals		(114,261)		(114,261)
At 28 August 2007	1,118,380	3,024,050	29,390	4,171,820
Depreciation				
At 29 August 2006	142,242	2,661,836	11,862	2,815,940
On disposals		(114,259)		(114,259)
Charge for the year	26,260	125,953	5,609	157,822
Impairment provision	500,000			500,000
At 28 August 2007	668,502	2,673,530	17,471	3,359,503
Net book value				
At 28 August 2007	449,878	350,520	11,919	812,317
At 28 August 2006	976,138	283,481	17,528	1,277,147

Included above are assets held under finance leases or hire purchase contracts as follows

	Plant and machinery £	Motor vehicles £	Total £
Net book values			
At 28 August 2007	89,868	11,919	101,787
At 28 August 2006	69,130	17,528	86,658
Depreciation charge for the year			
28 August 2007	25,335	5,609	30,944
28 August 2006	19,865	8,407	28,272

Included within cumulative depreciation at 28 August 2007 is a provision for impairment of £882,778 (2006 £410,940)

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

7 Fixed asset investments Group

	Shares in participating interests £
Cost	
At 29 August 2006 & at 28 August 2007	35,000
Provisions for diminution in value	
At 29 August 2006 & at 28 August 2007	35,000
Net book value	
At 28 August 2007	

Fixed asset investments Company

	Shares in group undertakings £
Cost	
At 29 August 2006 & at 28 August 2007	2,174,200
Provisions for diminution in value	
At 29 August 2006	355,711
Charge for the year	985,815
At 28 August 2007	1,341,526
Net book value	
At 28 August 2007	832,674
At 28 August 2006	1,818,489

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

The group holds a 33% interest in the ordinary share capital of MacRae Gairloch Limited, a company registered in Scotland. As at 31 December 2004, the date of the last available accounts, the capital and reserves of Macrae Gairloch Limited were a deficit of £188,746 and the loss for the year was £86,774. MacRae Gairloch Limited is no longer trading.

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

8 Stocks and work in progress

	Group 2007 £	2006 £	Company 2007 £	2006 £
Raw materials and consumables	452,504	467,964		
Work in progress	337,401	239,308		
Finished goods and goods for resale	495,970	561,855		
	<u>1,285,875</u>	<u>1,269,127</u>	<u></u>	<u></u>

9 Debtors

	Group 2007 £	2006 £	Company 2007 £	2006 £
Trade debtors	2,708,877	2,609,356		
Group relief receivable			1,152	1,152
Other debtors	77,095	41,068		
Prepayments and accrued income	21,974	22,911		
	<u>2,807,946</u>	<u>2,673,335</u>	<u>1,152</u>	<u>1,152</u>

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

10 Creditors - amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Debenture loans		533,852		533,852
Bank loans and overdrafts	458,522	497,053		
Net obligations under finance lease and hire purchase contracts	34,909	33,327		
Trade creditors	909,934	781,628		
Balance due to debt factor	1,858,959	1,454,046		
Amounts owed to group undertakings			110,616	97,606
Taxes and social security costs	34,766	29,639		
Directors current accounts	113,225			
Other creditors	92,939	48,720		
Accruals and deferred income	606,575	525,181		
	<u>4,109,829</u>	<u>3,903,446</u>	<u>110,616</u>	<u>631,458</u>

Bank loans and overdrafts are secured over the whole of the assets of Moray Seafoods Limited by a bond and floating charge together with a standard security over the company's property. The bank also holds a cross guarantee between Moray Seafoods Limited and Moray Holdings Limited.

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

11 Creditors : amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans		56,250		
Other loans	345,287	811,445	345,287	811,445
Net obligations under finance leases and hire purchase agreements	41,214	34,253		
	<u>386,501</u>	<u>901,948</u>	<u>345,287</u>	<u>811,445</u>
Analysis of loans				
Wholly repayable within five years	401,537	1,476,547	345,287	1,345,297
Included in current liabilities	(56,250)	(608,852)		(533,852)
	<u>345,287</u>	<u>867,695</u>	<u>345,287</u>	<u>811,445</u>
Loan maturity analysis				
In more than one year but not more than two years	345,287	867,695	345,287	811,445

The Bank of Scotland term loan is repayable in quarterly instalments of £18,750 and is secured as disclosed in note 10. Interest is charged at 8.825% and is payable quarterly.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	34,909	33,327		
Repayable between one and five years	41,214	34,253		
	<u>76,123</u>	<u>67,580</u>		
Included in liabilities falling due within one year	(34,909)	(33,327)		
	<u>41,214</u>	<u>34,253</u>		

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

12 Accruals and deferred income

Group	Government grants £
Balance at 29 August 2006	51,881
Amortisation in the year	(13,548)
Balance at 28 August 2007	<u>38,333</u>

13 Pension costs

Defined contribution

	2007 £	2006 £
Contributions payable by the group for the year	<u>22,267</u>	<u>31,741</u>

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

14 Share capital	2007 £	2006 £
Authorised		
11,999,999 Ordinary shares of £1 each	11,999,999	11,999,999
1 Redeemable deferred non participating ordinary share of £1 each	1	1
	<u>12,000,000</u>	<u>12,000,000</u>
Allotted, called up and fully paid		
2,025,494 Ordinary shares of £1 each	2,025,494	2,025,494
1 Redeemable deferred non participating ordinary share of £1 each	1	1
	<u>2,025,495</u>	<u>2,025,495</u>

The redeemable deferred non participating ordinary share (redeemable share) was issued to the trustees of the cumulative convertible secured loan stock in order to secure this capital instrument

The redeemable share is not entitled to any dividends or other distributions. It may be redeemed at any time after 22 days notice is given to the company by the holder requesting to do so, or by the company to the holder provided there is not in existence the cumulative convertible secured loan stock

On winding up of the company the redeemable share is entitled only to the nominal value of the share less the sum unpaid thereon after paying the holders of the ordinary shares the nominal value of the ordinary shares less the sum unpaid thereon

The holder of the redeemable share shall be entitled to such number of votes as is equal to 110% of the number of ordinary shares in issue from time to time, whether the share is nil paid, partly paid or fully paid

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

15 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 29 August 2006	(1,648,757)
Profit for the year	1,185
Balance at 28 August 2007	<u>(1,647,572)</u>

Company

	Profit and loss account £
Balance at 29 August 2006	(1,648,757)
Profit for the year	1,185
Balance at 28 August 2007	<u>(1,647,572)</u>

16 Reconciliation of movements in shareholders' funds Group

	2007 £	2006 £
Profit/(Loss) for the financial year	1,185	(256,157)
Opening shareholders' funds	376,738	632,895
Closing shareholders' funds	<u>377,923</u>	<u>376,738</u>

Company

	2007 £	2006 £
Profit/(Loss) for the financial year	1,185	(355,711)
Opening shareholders' funds	376,738	732,449
Closing shareholders' funds	<u>377,923</u>	<u>376,738</u>

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

17 Contingent liabilities

Group

Under the terms of capital grants received from the Scottish Executive, the group will be required to repay up to 100% of the grants received, should any of the grant conditions be breached. This repayment clause applies for 6 years from the date of receipt. As at 28 August 2007 the maximum repayable by the group is £81,291.

The group has also entered into guarantees in the normal course of its business and at the year end these amounted to £165,000.

During the year, the directors of the parent company agreed to contribute £987,000 to the company in the form of loans owing to them for which no repayment is currently being sought. Although these loans have not been written off they will only be repaid to the directors in the event of a significant improvement in group assets where surplus funds are available to meet these repayments. In the opinion of the directors repayment is considered unlikely and no provision for the balances potentially repayable is included in the financial statements.

Company

The company has given a guarantee and letter of offset to the group's bank in relation to the borrowings of its subsidiary company, Moray Seafoods Limited. At the period end the liability outstanding under this arrangement was £458,522.

18 Financial commitments

At 28 August 2007 the group had annual commitments under non cancellable operating leases as follows:

	Other 2007 £	2006 £
Expiry date		
Between two and five years	1,076	1,076

19 Directors' emoluments

	2007 £	2006 £
Emoluments for qualifying services	57,340	68,614
Group pension contributions to money purchase schemes	10,020	10,020
	67,360	78,634

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2006: 2).

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

20 Transactions with directors

At 28 August 2007 the group owed J E Eckersley £161,437 (2006 £380,635), C G Eckersley £158,403 (2006 £373,642) and Mrs I E Eckersley £138,209 (2006 £57,167), all of whom are directors of the company. The loans are unsecured, interest free and have no fixed terms of repayment, although the directors have confirmed that they will not seek repayment of loans to the value of £345,287 within 12 months of the balance sheet date.

On 28 August 2007, the directors each made a contribution to the company in the form of part of their loan to the group, a total of £453,148. The amounts provided for were J E Eckersley £212,980, C G Eckersley £208,448 and Mrs I E Eckersley £31,720. In addition, the directors each made a contribution equal to the value of their convertible loan stock totalling £533,852. The amounts provided for were J E Eckersley £66,926, C G Eckersley £66,926 and Mrs I E Eckersley £400,000. This led to a total exceptional provision in the year of £987,000.

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Production and distribution	99	86
Administration and sales	19	20
	<u>118</u>	<u>106</u>

Employment costs

	2007 £	2006 £
Wages and salaries	1,603,287	1,369,482
Social security costs	111,799	92,156
Other pension costs	22,267	31,741
	<u>1,737,353</u>	<u>1,493,379</u>

22 Control

The group is ultimately controlled by Mrs I E Eckersley.

MORAY HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 AUGUST 2007

23 Related party transactions

Group

During the year the group made sales of £920 (2006 £10,169) to Macrae Gairloch, an associated company. A balance of £3,727 due from Macrae Gairloch was provided for at the year end, and was written off post year end.

The group also made purchases of £nil (2006 £77,151) from Macrae Gairloch, and a total of £nil (2006 £1,398) is included in creditors at the year end, following a write off in the year of £575.

Company

Included within creditors amounts falling due within one year is £110,616 (2006 £97,606) due to Moray Seafoods Limited, the company's subsidiary.