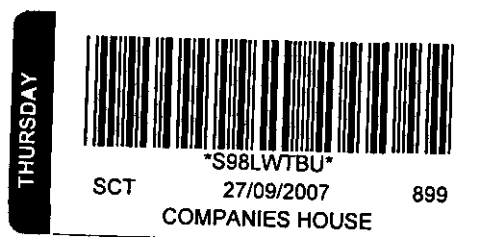


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LOCH DUART LIMITED
(Company Number 195923)

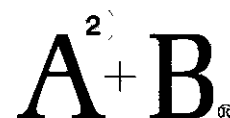
DIRECTORS' REPORT AND ACCOUNTS

30 MARCH 2007



Anderson Anderson & Brown
Chartered Accountants

LOCH DUART LIMITED
DIRECTORS' REPORT



Directors Dr E J Balfour (Chairman)
 A J Balfour
 A J C Bing
 N H Joy
 Dr A Barbour

Secretary A J Balfour

Registered office 15 Atholl Crescent, Edinburgh

The directors submit their report and the audited accounts of the company for the year ended 30 March 2007

RESULTS AND DIVIDENDS

The consolidated profit for the year, amounting to £2,291,688 (2006 £658,134) has been dealt with as shown in the consolidated profit and loss account Dividends of £75,000 were paid during the year (2006 £nil)

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the group and company is that of salmon farming in the North West of Scotland

Loch Duart Limited is owned by a number of private shareholders, none of whom individually hold a majority The company operates throughout Scotland

The principal activity of Loch Duart Limited and its subsidiary company is the growing and distribution to the wholesale market of fresh salmon A commercial project to grow sea urchins and seaweed has started this year It is Loch Duart's stated policy that only indigenous species will be grown in its operations The Directors are not aware at the date of this report of any likely major changes in the company's activities in the next year

Loch Duart continues to invest in research into polycultures and alternative sources of feed ingredients As shown in the profit and loss account on page 5, group sales have increased by 35% due to increase in prices, volume and value added sales Profit after tax has increased by 248%

On page 6 of the financial statements, the balance sheet shows a growth in net assets of 137% The company's cash position has improved by 88.5%

There have been no significant events since the balance sheet date

PRINCIPAL RISKS AND UNCERTAINTIES

The sales price per kilogram of salmon achieved by Loch Duart has increased during the year. This market strength is based on selling the highest quality salmon to customers who value the brand.

As an export company, the strength of the pound might be perceived as a threat, however, the spread of currencies in which Loch Duart Limited trades mitigates this risk to some degree.

The cost of feed rose sharply throughout the year and this will continue to be a source of concern. The company is focussed on finding alternative sources and improving feed conversion rates to minimise the effect.

Fuel costs have had a minor effect on the performance. The reduction in debt within the company will reduce its exposure to interest rate fluctuation.

ENVIRONMENT AND WELFARE

The company is accredited to ISO 14001. Its environmental policy is available on the website at www.lochduart.com. Loch Duart is an approved Freedom Food producer of salmon.

EMPLOYEES

The company employed 61 staff at 31 April 2007. Related costs can be found on page 11 of the financial statements.

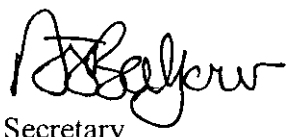
PROVISION OF INFORMATION TO AUDITORS

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and we have taken all the steps we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

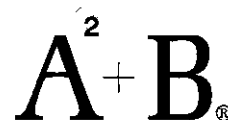
Anderson Anderson & Brown have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board



Secretary

LOCH DUART LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES



Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether or not applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and,
- (d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
LOCH DUART LIMITED**

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We have audited the Group and parent company accounts of Loch Duart Limited for the year ended 30 March 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These accounts have been prepared under the historical cost convention and in accordance with 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

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 or not the accounts give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the accounts. We also 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

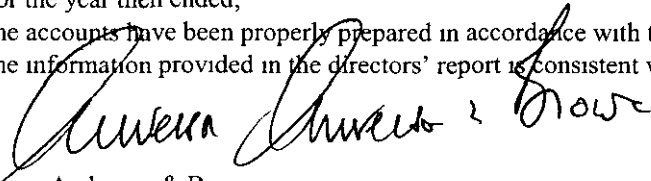
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

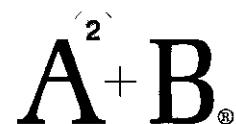
In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent company's affairs as at 30 March 2007 and of the Group's profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information provided in the directors' report is consistent with the accounts.


Anderson Anderson & Brown
Chartered Accountants
Registered Auditors
Aberdeen

10 September 2007

LOCH DUART LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MARCH 2007



	Note	2007 £	2006 £
TURNOVER	2	12,451,953	9,213,475
Operating costs		<u>9,419,725</u>	<u>8,333,138</u>
NET OPERATING PROFIT	3	3,032,228	880,337
Interest receivable		7,755	
Interest payable and similar charges	6	<u>(124,249)</u>	<u>(161,048)</u>
PROFIT BEFORE TAXATION		2,915,734	719,289
Taxation	7	<u>624,046</u>	<u>61,155</u>
PROFIT AFTER TAXATION		<u>£ 2,291,688</u>	<u>£ 658,134</u>

The company has made no gains or losses other than as reported above

Movements on reserves are as set out in Note 21

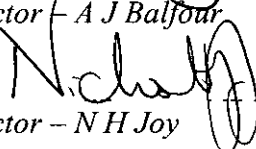
LOCH DUART LIMITED
CONSOLIDATED BALANCE SHEET – 30 MARCH 2007

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	Note	2007 £	2006 £
FIXED ASSETS			
Intangible assets	10	12,536	18,803
Tangible assets	11	1,833,732	1,753,417
		<u>1,846,268</u>	<u>1,772,220</u>
CURRENT ASSETS			
Stocks	13	3,417,666	3,175,044
Debtors	14	1,361,588	1,556,719
Cash at bank and in hand		1,643,331	871,702
		<u>6,422,585</u>	<u>5,603,465</u>
CREDITORS <i>amounts falling due within one year</i>	15	<u>3,200,341</u>	<u>4,341,997</u>
NET CURRENT ASSETS		<u>3,222,244</u>	<u>1,261,468</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,068,512</u>	<u>3,033,688</u>
CREDITORS <i>amounts falling due after more than one year</i>	16	882,359	1,182,780
PROVISION FOR LIABILITIES AND CHARGES	18	91,799	17,727
DEFERRED INCOME	19	257,832	213,347
		<u>£ 3,836,522</u>	<u>£ 1,619,834</u>
CAPITAL AND RESERVES			
Called up share capital	20	166,666	166,666
Share premium account	21	283,334	283,334
Profit and loss account	21	3,386,522	1,169,834
SHAREHOLDERS' FUNDS	21	<u>£ 3,836,522</u>	<u>£ 1,619,834</u>

Signed on behalf of the board of directors


 Director – A J Balfour


 Director – N H Joy

10-9-07

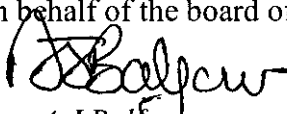
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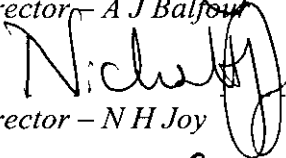
LOCH DUART LIMITED
COMPANY BALANCE SHEET – 30 MARCH 2007

A²+B[®]

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible assets	11	974,647	692,603
Investments	12	31,343	31,343
		<u>1,005,990</u>	<u>723,946</u>
CURRENT ASSETS			
Stocks	13	1,912,293	1,675,456
Debtors	14	1,295,038	1,507,310
Cash at bank and in hand		1,130,540	871,634
		<u>4,337,871</u>	<u>4,054,400</u>
CREDITORS <i>amounts falling due within one year</i>	15	<u>2,600,512</u>	<u>2,812,938</u>
NET CURRENT ASSETS		<u>1,737,359</u>	<u>1,241,462</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,737,349</u>	<u>1,965,408</u>
CREDITORS <i>amounts falling due after more than one year</i>	16	289,859	440,280
PROVISION FOR LIABILITIES AND CHARGES	18	13,799	17,727
DEFERRED INCOME	19	<u>160,932</u>	<u>79,967</u>
		<u>£ 2,278,759</u>	<u>£ 1,427,434</u>
CAPITAL AND RESERVES			
Called up share capital	20	166,666	166,666
Share premium account	21	283,334	283,334
Profit and loss account	21	<u>1,828,759</u>	<u>977,434</u>
SHAREHOLDERS' FUNDS	21	<u>£ 2,278,759</u>	<u>£ 1,427,434</u>

Signed on behalf of the board of directors

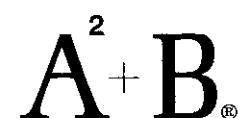

Director – A J Balfour


Director – N H Joy

10-9-07

Date

LOCH DUART LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 MARCH 2007



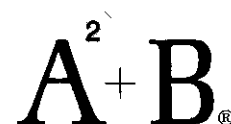
	Note	2007 £	2006 £
Cash inflow from operating activities	26	3,406,520	203,720
Return on investments and servicing of finance	27	(116,494)	(161,048)
Taxation		(67,947)	(2,155)
Capital expenditure	27	(362,851)	(141,633)
Equity dividends paid	27	(75,000)	
Cash outflow before financing		2,784,228	(101,116)
Financing – (decrease)/increase in debt	27	(385,236)	75,562
Increase/(decrease) in cash in the year		<u>£ 2,398,992</u>	<u>£ (25,554)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2007 £	2006 £
Increase/(decrease) in cash in the year		2,398,992	(25,554)
Cash outflow/(inflow) from (increase)/decrease in debt		385,236	(75,562)
Change in net debt resulting from cash flows		2,784,228	(101,116)
New hire purchase		(51,844)	(11,343)
Movement in net debt in year		2,732,384	(112,459)
Net debt at 30 March 2006	28	(2,186,797)	(2,074,338)
Net funds/(debt) at 30 March 2007	28	<u>£ 545,587</u>	<u>£ (2,186,797)</u>

LOCH DUART LIMITED

NOTES ON THE ACCOUNTS – 30 MARCH 2007



1 ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

(b) *Basis of consolidation*

The group accounts consolidate the accounts of the company and its subsidiary companies

(c) *Depreciation*

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

Land and buildings	50 years
Plant and equipment	2 7 years
Motor vehicles	2 4 years

(d) *Stock*

Stocks are valued at the lower of cost and net realisable value with due allowance being made for estimated stock losses due to weather, predation and disease. Cost includes fish purchases, feed, direct labour and all other costs directly associated with the rearing of fish. An element of indirect overheads has also been included within the stock valuation.

(e) *Taxation*

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the accounts. Deferred tax has been measured on a non discounted basis.

1 ACCOUNTING POLICIES (continued)

(f) *Leasing and hire purchase contracts*

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the term of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

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

(g) *Foreign currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. The resulting profits or losses are dealt with in the profit and loss account.

(h) *Grants*

Government and other grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets. Where the grant cannot be specifically associated with any one asset the grant is released to the profit and loss account over the period of obligation specified in the grant documentation.

Grants of a revenue nature are credited to income in the period to which they relate.

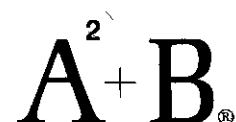
(i) *Pensions*

The company makes contributions to a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable.

2 TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced to third parties, exclusive of value added tax. Geographic analysis of turnover has not been stated as the directors believe this would be prejudicial to the company's interests.

LOCH DUART LIMITED
NOTES ON THE ACCOUNTS – 30 MARCH 2007



3 NET OPERATING PROFIT *is stated after (crediting)/charging*

	2007 £	Group 2006 £
Government grants released	(71,124)	(60,735)
Goodwill amortisation	6,267	6,267
Depreciation owned assets	422,469	380,754
assets held under hire		
purchase and finance leases	36,470	62,061
Auditors' remuneration	20,350	17,250
Leasehold property rents	(4,487)	(5,418)
Gain on sale of assets	(8,950)	(5,000)
	<u>£ 1,609,658</u>	<u>£ 1,334,515</u>

4 STAFF COSTS AND NUMBERS

	2007 £	Group 2006 £
Wages and salaries	1,473,505	1,211,224
Social security	125,821	112,959
Pension contributions	10,332	10,332
	<u>£ 1,609,658</u>	<u>£ 1,334,515</u>

The average number of persons employed by the group during the year, including the directors, was as follows

	2007 No	Group 2006 No
Management	8	9
Administration	6	6
Operations	49	44
	<u>63</u>	<u>59</u>

5 DIRECTORS' EMOLUMENTS

	2007 £	2006 £
Emoluments (including benefits in kind)	338,298	242,461
Pension contributions	10,332	10,332
	<u>£ 348,630</u>	<u>£ 252,793</u>

The company contributed to a defined contribution pension scheme on behalf of one director (2006 one)

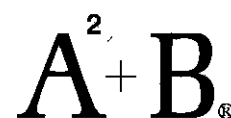
The amount payable in the year in respect of the highest paid director was £114,933 (2006 £82,999)

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	Group 2006 £
Bank interest	43,468	75,211
Hire purchase and finance lease interest	9,019	11,810
Loan interest	71,762	74,027
	<u>£ 124,249</u>	<u>£ 161,048</u>

LOCH DUART LIMITED

NOTES ON THE ACCOUNTS – 30 MARCH 2007

**7 TAXATION** *charge based on the profit for the year comprises*

	2007 £	Group 2006 £
UK corporation tax	558,000	76,000
Transfer to/(from) deferred tax	100,000	(15,000)
	<hr/> 658,000	<hr/> 61,000
Adjustments relating to prior year		
Corporation tax	(8,026)	155
Deferred tax	(25,928)	
	<hr/> £ 624,046	<hr/> £ 61,155

The tax charge for the year for the group differs from that which would be expected by applying the rate of tax at 30% to its pre tax profits because a deferred tax asset was not recognised in the previous year in respect of trading losses carried forward

8 DIVIDENDS

	2007	Group 2006	2007	Company 2006
£75,000 – paid (2006 £nil)	<u>£ 75,000</u>	<u>£</u>	<u>£ 75,000</u>	<u>£</u>

9 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

In accordance with the exemptions allowed by Section 230(3) of the Companies Act 1985 the company has not presented its own profit and loss account. Of the group profit for the financial year a profit of £926,325 (2006 – £149,636) has been dealt with in the accounts of the company

LOCH DUART LIMITED

NOTES ON THE ACCOUNTS – 30 MARCH 2007

A²+B[®]**10 INTANGIBLE FIXED ASSETS**

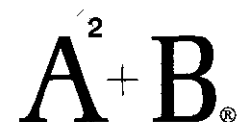
	Goodwill £
Group	
COST	
At 31 March 2006 and 30 March 2007	31,337
AMORTISATION	
At 31 March 2006	12,534
Charge for year	6,267
At 30 March 2007	18,801
Net book amounts at 30 March 2007	£ 12,536
30 March 2006	£ 18,803

11 TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
Group				
COST				
At 31 March 2006	409,021	2,550,391	163,128	3,122,540
Additions	67,280	436,620	42,354	546,254
Disposals		(26,850)	(26,075)	(52,925)
At 30 March 2007	476,301	2,960,161	179,407	3,615,869
DEPRECIATION				
At 31 March 2006	50,205	1,235,863	83,055	1,369,123
Charge for the year	20,524	403,711	34,704	458,939
Relating to disposals		(26,850)	(19,075)	(45,925)
At 30 March 2007	70,729	1,612,724	98,684	1,782,137
Net book amounts at 30 March 2007	£ 405,572	£ 1,347,437	£ 80,723	£ 1,833,732
30 March 2006	£ 358,816	£ 1,314,528	£ 80,073	£ 1,753,417

The net book amounts of plant and equipment and motor vehicles includes amounts of £27,515 (2006 £57,603) and £75,193 (2006 £71,593) in respect of assets held under finance leases and hire purchase contracts

LOCH DUART LIMITED
NOTES ON THE ACCOUNTS – 30 MARCH 2007

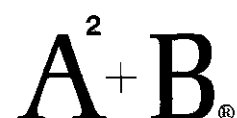


11 TANGIBLE FIXED ASSETS (continued)

Company	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
COST				
At 31 March 2006	408,521	1,069,578	160,128	1,638,227
Additions	67,280	383,632	42,354	493,266
Disposals		(26,850)	(23,075)	(49,925)
At 30 March 2007	475,801	1,426,360	179,407	2,081,568
DEPRECIATION				
At 31 March 2006	50,205	815,364	80,055	945,624
Charge for the year	20,524	148,994	34,704	204,222
Relating to disposals		(26,850)	(16,075)	(42,925)
At 30 March 2007	70,729	937,508	98,684	1,106,921
Net book amounts at 30 March 2007	£ 405,072	£ 488,852	£ 80,723	£ 974,647
30 March 2006	£ 358,316	£ 254,214	£ 80,073	£ 692,603

The net book amounts of plant and equipment and motor vehicles include amounts of £27,515 (2006 £51,503) and £75,193 (2006 £71,593) in respect of assets held under finance leases and hire purchase contracts

LOCH DUART LIMITED
NOTES ON THE ACCOUNTS – 30 MARCH 2007



12 FIXED ASSET INVESTMENTS

Group

COST

At 31 March 2006 and 30 March 2007

Interests
in group
undertakings

£

Company

COST

At 31 March 2006 and 30 March 2007

£ 31,343

The subsidiary undertakings are

Drumbeg Salmon Limited

<i>Country of incorporation</i>	Scotland
<i>Nature of business</i>	Salmon farming
<i>Proportion of shares held</i>	100%
<i>Profit for year</i>	£ 1,371,630
<i>Aggregate capital and reserves</i>	£ 1,576,565

The Sustainable Salmon Company Limited

<i>Country of incorporation</i>	Scotland
<i>Nature of business</i>	Dormant
<i>Proportion of shares held</i>	100%

The Sustainable Food Company Limited

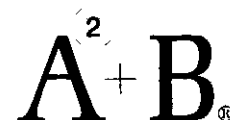
<i>Country of incorporation</i>	Scotland
<i>Nature of business</i>	Dormant
<i>Proportion of shares held</i>	100%

13 STOCKS

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Fish	3,323,168	3,082,096	1,888,649	1,638,375
Feed	94,498	92,948	23,644	37,081
	<u>£ 3,417,666</u>	<u>£ 3,175,044</u>	<u>£ 1,912,293</u>	<u>£ 1,675,456</u>

LOCH DUART LIMITED

NOTES ON THE ACCOUNTS – 30 MARCH 2007


14 DEBTORS

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Trade debtors	1,054,789	1,330,535	1,053,298	1,329,299
VAT repayable	146,772	136,784	112,933	91,167
Prepayments and accrued income	75,718	89,400	44,498	86,844
Debt factoring account (Note 24)	84,309		84,309	
	<u>£ 1,361,588</u>	<u>£ 1,556,719</u>	<u>£ 1,295,038</u>	<u>£ 1,507,310</u>

15 CREDITORS *amounts falling due within one year*

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Bank overdrafts (Note 24)		1,223,728		
Bank loans (Notes 17 and 24)	121,227	119,504	121,227	119,504
Debt factoring account (Note 24)		319,326		319,326
Obligations under finance leases and hire purchase contracts	28,466	63,160	28,466	56,491
Trade creditors	1,789,244	2,133,668	1,081,612	1,353,953
Loan notes (Notes 17 and 24)	150,000	150,000		
Corporation tax	558,027	76,000	358,027	76,000
Amounts due to subsidiary Undertaking			675,029	655,978
Other taxation and social security	36,384	32,803	28,289	24,672
Accruals	489,898	100,203	280,767	83,404
Other creditors	27,095	123,605	27,095	123,610
	<u>£ 3,200,341</u>	<u>£ 4,341,997</u>	<u>£ 2,600,512</u>	<u>£ 2,812,938</u>

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NOTES ON THE ACCOUNTS – 30 MARCH 2007

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16 CREDITORS *amounts falling due after more than one year*

	2007 £	Group 2006 £	2007 £	Company 2006 £
Bank loan (Notes 17 and 24)	256,505	402,291	256,505	402,291
Obligations under finance leases and hire purchase contracts (between two and five years)	33,354	37,989	33,354	37,989
Loan notes (Notes 17 and 24)	592,500	742,500		
	<u>£ 882,359</u>	<u>£ 1,182,780</u>	<u>£ 289,859</u>	<u>£ 440,280</u>

17 LOANS

	2007 £	Group 2006 £	2007 £	Company 2006 £
Not wholly repayable within five years		142,500		
Wholly repayable within five years	849,005	1,271,795	377,732	521,795
Less included in creditors amounts falling due within one year	(271,227)	(269,504)	(121,227)	(119,504)
	<u>£ 577,778</u>	<u>£ 1,144,791</u>	<u>£ 256,505</u>	<u>£ 402,291</u>
<i>Amounts repayable</i>				
In one year or less	271,227	269,504	121,227	119,504
Between one and two years	279,473	277,227	129,473	127,227
Between two and five years	569,532	725,064	127,032	275,064
	<u>1,120,232</u>	<u>1,271,795</u>	<u>377,732</u>	<u>521,795</u>
In more than five years		142,500		
	<u>£ 1,120,232</u>	<u>£ 1,414,295</u>	<u>£ 337,732</u>	<u>£ 521,795</u>

17 LOANS (continued)

At 30 March 2007 the group had loans as follows

- (a) Repayable by monthly instalments ending in April 2011, bearing interest at 2% per annum above HSBC Bank plc base rate Amount outstanding at 30 March 2007 £nil (2006 £30,502)
- (b) Repayable by monthly instalments ending in March 2010, bearing interest at 1.85% per annum above HSBC Bank plc base rate Amount outstanding at 30 March 2007 £377,732 (2006 £491,293)
- (c) £750,001 of the loan notes are repayable in one instalment of £12,501 on 1 May 2005, followed by 59 monthly instalments of £12,500 commencing 1 June 2005 The remaining amount of the loans is repayable in whole or part commencing 1 May 2008 over a period of 24 months, dependent on the movement in salmon prices over a three year period commencing 1 May 2005 All loan notes are interest free

18 PROVISION FOR LIABILITIES AND CHARGES

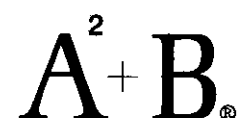
The provision represents the maximum potential liability to deferred tax as follows

	2007 £	Group 2006 £	2007 £	Company 2006 £
Capital allowances in advance of depreciation	<u>£ 91,799</u>	<u>£ 17,727</u>	<u>£ 13,799</u>	<u>£ 17,727</u>

Deferred tax provided and not provided in the accounts are as follows

	2007 £	Provided 2006 £	2007 £	Not provided 2006 £
Capital allowances in advance of depreciation	91,799	17,727		77,000
Other				28,000
Tax losses carried forward				(320,000)
	<u>£ 91,799</u>	<u>£ 17,727</u>	<u>£</u>	<u>£ (215,000)</u>

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19 DEFERRED INCOME

	Group		Company	
	Deferred grants		Deferred grants	
	2007	2006	2007	2006
	£	£	£	£
At 31 March 2006	213,347	224,976	79,967	55,116
Received during the year	115,609	49,106	115,609	49,106
Released to profit and loss account	(71,124)	(60,735)	(34,644)	(24,255)
At 30 March 2007	<u>£ 257,832</u>	<u>£ 213,347</u>	<u>£ 160,932</u>	<u>£ 79,967</u>

20 CALLED UP SHARE CAPITAL

Group & Company
2007 & 2006
£

Authorised, allotted, called up and fully paid:

Ordinary shares of £1 each	100,000
“A” ordinary shares of £1 each	66,666
	<u>£ 166,666</u>

Both ordinary and ‘A’ ordinary shares carry the same rights and entitlements and rank pari passu in all respects

**21 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

	Share capital £	Share premium £	Profit and loss account £	Total £
Group				
At 30 March 2005	166,666	283,334	511,700	961,700
Profit for the year			658,134	658,134
At 30 March 2006	166,666	283,334	1,169,834	1,619,834
Profit for the year			2,291,688	2,291,688
Dividends			(75,000)	(75,000)
At 30 March 2007	<u>£ 166,666</u>	<u>£ 283,334</u>	<u>£ 3,386,522</u>	<u>£ 3,836,522</u>
Company				
At 30 March 2005	166,666	283,334	827,798	1,277,798
Profit for the year			149,636	149,636
At 30 March 2006	166,666	283,334	977,434	1,427,434
Profit for the year			926,325	926,325
Dividends			(75,000)	(75,000)
At 30 March 2007	<u>£ 166,666</u>	<u>£ 283,334</u>	<u>£ 1,828,759</u>	<u>£ 2,278,759</u>

22 OTHER FINANCIAL COMMITMENTS

At 30 March 2007 the annual commitments under non cancellable operating leases were as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Group				
<i>Operating leases which expire</i>				
In less than one year	36,400	3,048		3,580
Within two to five years	14,998	62,850	1,191	2,454
In over five years	30,657	16,157		
	<u>£ 82,055</u>	<u>£ 82,055</u>	<u>£ 1,191</u>	<u>£ 6,034</u>
Company				
<i>Operating leases which expire</i>				
In less than one year	36,400	3,048		3,580
Within two to five years	14,998	38,850	1,191	2,454
In over five years	6,657	16,157		
	<u>£ 58,055</u>	<u>£ 58,055</u>	<u>£ 1,191</u>	<u>£ 6,034</u>

23 CAPITAL COMMITMENTS

	2007	Group 2006	2007	Company 2006
Contracted for, but not provided	<u>£ 124,532</u>	<u>£ 69,800</u>	<u>£ 124,532</u>	<u>£ 69,800</u>

24 SECURITIES

The HSBC Bank plc and HSBC Invoice Finance (UK) Limited hold a floating charge over the assets of the group and company

Ardvar Salmon Limited hold a floating charge over the assets of Drumbeg Salmon Limited

The various properties owned by the company are subject to a standard security in favour of HSBC Bank plc

Gerald Cavendish, Sixth Duke of Westminster, holds a floating charge over the assets of the company in respect of an amount of £25,000 included within deferred income

The securities are subject to a ranking agreement

A cross guarantee is in place between the company and Drumbeg Salmon Limited At 30 March 2007 Drumbeg Salmon Limited had bank borrowings of £nil

25 RELATED PARTIES

Control

Throughout the year the company was controlled by the directors

Transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with other group companies

During the year the company had the following transactions with related parties

Related party	Transaction	£	Balance at year end £
Scourie Estate, a joint ownership between Dr Jean Balfour and John Balfour	Rental of land and buildings	36,400	9,100

26 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit	3,032,228	880,337
Gain on disposal of fixed assets	(8,950)	(5,000)
Depreciation	458,939	442,815
Amortisation	6,267	6,267
Increase in stocks	(242,622)	(285,799)
Decrease/(increase) in debtors	279,440	(873,959)
(Decrease)/increase in creditors	(47,658)	99,794
Deferred grant release	(71,124)	(60,735)
Net cash inflow from operating activities	£ 3,406,520	£ 203,720

27 ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	7,755	
Interest paid	(115,230)	(149,238)
Interest element of hire purchase payments	(9,019)	(11,810)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	£ (116,494)	£ (161,048)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(494,410)	(195,739)
Sale of fixed assets	15,950	5,000
Receipts of capital grants	115,609	49,106
	<hr/>	<hr/>
Net cash outflow from capital expenditure	£ (362,851)	£ (141,633)
	<hr/>	<hr/>
Net cash outflow from equity dividends paid	£ (75,000)	£
	<hr/>	<hr/>
Financing		
New long term loans		320,000
Repayment of loans	(144,063)	(14,709)
Repayment of loan notes	(150,000)	(157,500)
Capital element of finance lease rental payments	(91,173)	(72,229)
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing	£ (385,236)	£ 75,562
	<hr/>	<hr/>

LOCH DUART LIMITED
NOTES ON THE ACCOUNTS – 30 MARCH 2007



28 ANALYSIS OF NET DEBT

	At 30 March 2006 £	Cash flow £	Other changes £	At 30 March 2007 £
Cash at bank and in hand	552,376	1,175,264		1,727,640
Bank overdraft	(1,223,728)	1,223,728		
Loans	(521,796)	144,063		(377,733)
Loan notes	(892,500)	150,000		(742,500)
Hire purchase	(101,149)	91,173	(51,844)	(61,820)
	<u>£ (2,186,797)</u>	<u>£ 2,784,228</u>	<u>£ (51,844)</u>	<u>£ 545,587</u>

29 CONTINGENT LIABILITY

The Caithness and Sutherland Enterprise Company Limited grant has certain conditions attached and if these are breached in any way, the grant is repayable in full