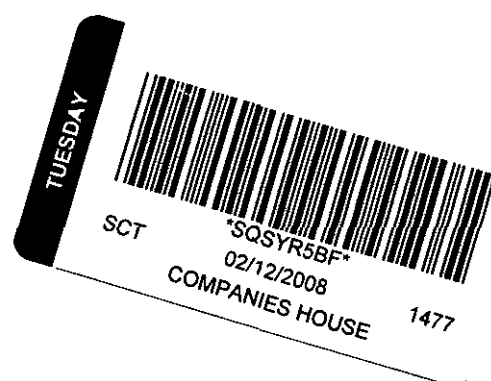


**A<sup>2</sup>+B<sup>®</sup>**

**LOCH DUART LIMITED**  
(Company Number 195923)

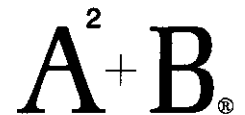
**DIRECTORS' REPORT AND ACCOUNTS**

**30 MARCH 2008**



**Anderson Anderson & Brown LLP**  
*Chartered Accountants*

**LOCH DUART LIMITED**  
**DIRECTORS' REPORT**



Directors                    A J Balfour  
                                  A J C Bing  
                                  N H Joy  
                                  Dr A Barbour  
                                  B Uphoff                    (Appointed 24 January 2008)

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 2008

**RESULTS AND DIVIDENDS**

The consolidated profit for the year, amounting to £676,855 (2007 £2,291,688) has been dealt with as shown in the consolidated profit and loss account. Dividends of £100,000 were paid during the year (2007 £75,000)

**DIRECTORS**

The directors of the company were as noted above, together with Dr E J Balfour who resigned on 30 April 2008

**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

The principal activity of Loch Duart Limited and its subsidiary company is the growing and distribution to the wholesale market of fresh salmon. The 2008 financial year was difficult for production and this is part of the reason that profitability has fallen. In addition there was growth of new stock in Loch Eriboll. Despite this, the sales price was strong and brand awareness grew significantly globally. The production in the water for next year looks strong, and the directors expect similar or better profitability in 2009. 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.

**EVENTS AFTER THE BALANCE SHEET**

Immediately after close of business on 30 March 2008, the trade, assets and liabilities of the subsidiary company, Drumbeg Salmon Limited were hived up into Loch Duart Limited

## **ENVIRONMENT AND WELFARE**

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

## **EMPLOYEES**

The company employed 65 staff at 30 March 2008. Related costs can be found in note 4 of the accounts.

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

Signed on behalf of the board of directors

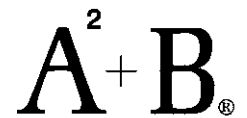


Director – A J Balfour

14-11-08

Date

**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**

**A<sup>2</sup>+B<sup>®</sup>**

We have audited the Group and parent company accounts of Loch Duart Limited for the year ended 30 March 2008 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 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 3 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**

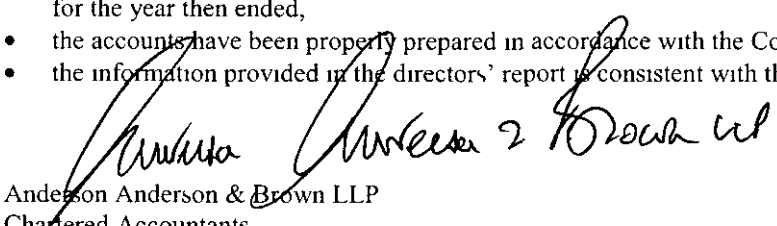
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant 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 2008 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 LLP  
Chartered Accountants  
Registered Auditors  
Aberdeen

14 November 2008

**LOCH DUART LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 MARCH 2008**

	Note	2008 £	2007 £
TURNOVER	2	11,506,218	12,451,953
Operating costs		<u>10,463,865</u>	<u>9,419,725</u>
NET OPERATING PROFIT	3	1,042,353	3,032,228
Interest receivable		25,419	7,755
Interest payable and similar charges	6	<u>(125,178)</u>	<u>(124,249)</u>
PROFIT BEFORE TAXATION		942,594	2,915,734
Taxation	7	<u>265,739</u>	<u>624,046</u>
PROFIT AFTER TAXATION		<u>£ 676,855</u>	<u>£ 2,291,688</u>

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

Movements on reserves are as set out in Note 21

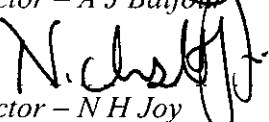
**LOCH DUART LIMITED**  
**CONSOLIDATED BALANCE SHEET – 30 MARCH 2008**

**A<sup>2</sup>+B<sup>®</sup>**

	Note	2008 £	2007 £
<b>FIXED ASSETS</b>			
Intangible assets	10	6,269	12,536
Tangible assets	11	2,265,130	1,833,732
		<u>2,271,399</u>	<u>1,846,268</u>
<b>CURRENT ASSETS</b>			
Stocks	13	3,694,269	3,417,666
Debtors	14	1,856,790	1,361,588
Cash at bank and in hand		1,443,402	1,643,331
		<u>6,994,461</u>	<u>6,422,585</u>
<b>CREDITORS <i>amounts falling due within one year</i></b>	15	3,790,309	3,200,341
<b>NET CURRENT ASSETS</b>		<u>3,204,152</u>	<u>3,222,244</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,475,551	5,068,512
<b>CREDITORS <i>amounts falling due after more than one year</i></b>	16	752,995	882,359
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	18	90,766	91,799
<b>DEFERRED INCOME</b>	19	218,413	257,832
		<u>£ 4,413,377</u>	<u>£ 3,836,522</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	166,666	166,666
Share premium account	21	283,334	283,334
Profit and loss account	21	3,963,377	3,386,522
<b>SHAREHOLDERS' FUNDS</b>	21	<u>£ 4,413,377</u>	<u>£ 3,836,522</u>

Signed on behalf of the board of directors

  
Director – A J Balfour

  
Director – N H Joy

14-11-08

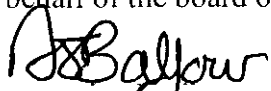
Date

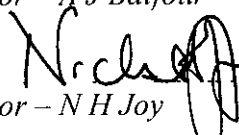
**LOCH DUART LIMITED**  
**COMPANY BALANCE SHEET – 30 MARCH 2008**

**A<sup>2</sup>+B<sup>®</sup>**

	Note	2008 £	2007 £
<b>FIXED ASSETS</b>			
Tangible assets	11	1,649,725	974,647
Investments	12	31,343	31,343
		<u>1,681,068</u>	<u>1,005,990</u>
<b>CURRENT ASSETS</b>			
Stocks	13	2,421,235	1,912,293
Debtors	14	1,801,412	1,295,038
Cash at bank and in hand		616,322	1,130,540
		<u>4,838,969</u>	<u>4,337,871</u>
<b>CREDITORS <i>amounts falling due within one year</i></b>	15	<u>3,707,495</u>	<u>2,600,512</u>
<b>NET CURRENT ASSETS</b>		<u>1,131,474</u>	<u>1,737,359</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,812,542</u>	<u>2,743,349</u>
<b>CREDITORS <i>amounts falling due after more than one year</i></b>	16	440,495	289,859
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	18	51,915	13,799
<b>DEFERRED INCOME</b>	19	<u>157,993</u>	<u>160,932</u>
		<u>£ 2,162,139</u>	<u>£ 2,278,759</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	166,666	166,666
Share premium account	21	283,334	283,334
Profit and loss account	21	<u>1,712,139</u>	<u>1,828,759</u>
<b>SHAREHOLDERS' FUNDS</b>	21	<u>£ 2,162,139</u>	<u>£ 2,278,759</u>

Signed on behalf of the board of directors

  
Director – A J Balfour

  
Director – N H Joy

14-11-08

Date



**LOCH DUART LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 MARCH 2008**

**A<sup>2</sup> + B<sup>®</sup>**

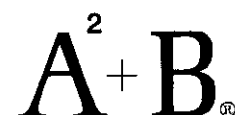
	Note	2008 £	2007 £
Cash inflow from operating activities	26	1,308,522	3,406,520
Return on investments and servicing of finance	27	(99,759)	(116,494)
Taxation		(569,080)	(67,947)
Capital expenditure	27	(450,050)	(362,851)
Equity dividends paid	27	(100,000)	(75,000)
Cash inflow before financing		89,633	2,784,228
Financing – increase in debt	27	(352,441)	(385,236)
<b>(Decrease)/increase in cash in the year</b>		<b>£ (262,808)</b>	<b>£ 2,398,992</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	Note	2008 £	2007 £
<b>(Decrease)/increase in cash in the year</b>		<b>(262,808)</b>	<b>2,398,992</b>
Cash inflow from decrease in debt		352,441	385,236
Change in net debt resulting from cash flows		89,633	2,784,228
New hire purchase		(483,288)	(51,844)
<b>Movement in net (debt)/funds in year</b>		<b>(393,655)</b>	<b>2,732,384</b>
<b>Net funds/(debt) at 30 March 2007</b>	28	<b>545,587</b>	<b>(2,186,797)</b>
<b>Net funds at 30 March 2008</b>	28	<b>£ 151,932</b>	<b>£ 545,587</b>

# LOCH DUART LIMITED

NOTES ON THE ACCOUNTS – 30 MARCH 2008



## 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 2008

**A<sup>2</sup>+B<sup>®</sup>****3 NET OPERATING PROFIT** *is stated after (crediting)/charging*

	2008 £	Group 2007 £
Government grants released	(88,315)	(71,124)
Goodwill amortisation	6,267	6,267
Depreciation owned assets	467,097	422,469
assets held under hire		
purchase and finance leases	84,489	36,470
Auditors' remuneration – audit fees	21,750	20,350
Leasehold property rents	(5,291)	(4,487)
Gain on sale of assets	(750)	(8,950)
Exchange gain	(325,657)	(154,629)

**4 STAFF COSTS AND NUMBERS**

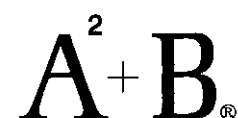
	2008 £	Group 2007 £
Wages and salaries	1,374,923	1,473,505
Social security	126,446	125,821
Pension contributions	45,332	10,332
	<u>£ 1,546,701</u>	<u>£ 1,609,658</u>

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

	2008 No	Group 2007 No
Management	8	8
Administration	6	6
Operations	51	49
	<u>65</u>	<u>63</u>

**LOCH DUART LIMITED**

NOTES ON THE ACCOUNTS – 30 MARCH 2008

**5 DIRECTORS' EMOLUMENTS**

	2008 £	<b>Group</b> 2007 £
Emoluments (including benefits in kind)	245,742	338,298
Pension contributions	45,332	10,332
	<u>£ 291,074</u>	<u>£ 348,630</u>

The company contributed to a defined contribution pension scheme on behalf of one director (2007 one)

The amount payable in the year in respect of the highest paid director was £93,314 (2007 £114,933)

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	2008 £	<b>Group</b> 2007 £
Bank interest	14,854	43,468
Hire purchase and finance lease interest	25,823	9,019
Loan interest	84,501	71,762
	<u>£ 125,178</u>	<u>£ 124,249</u>

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

	2008 £	Group 2007 £
UK corporation tax	255,631	558,000
Transfer to deferred tax	13,259	100,000
	<hr/>	<hr/>
	268,890	658,000
Adjustments relating to prior year		
Corporation tax	11,140	(8,026)
Deferred tax	(14,292)	(25,928)
	<hr/>	<hr/>
	£ 265,738	£ 624,046
	<hr/>	<hr/>

The tax charge for the year for the group does not materially differ from that which would be expected by applying the rate of tax at 30% to its pre tax profits

8 DIVIDENDS

	2008	Group 2007	2008	Company 2007
£100,000 – paid (2007 £75,000)	<u>£ 100,000</u>	<u>£ 75,000</u>	<u>£ 100,000</u>	<u>£ 75,000</u>

9 LOSS 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 loss of £16,620 (2007 – profit £926,325) has been dealt with in the accounts of the company

**LOCH DUART LIMITED**

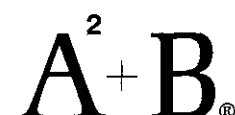
NOTES ON THE ACCOUNTS – 30 MARCH 2008

 $A^2 + B^{\circledast}$ 
**10 INTANGIBLE FIXED ASSETS**

	Goodwill £
<b>Group</b>	
<b>COST</b>	
At 31 March 2007 and 30 March 2008	31,337
<b>AMORTISATION</b>	
At 31 March 2007	18,801
Charge for year	6,267
At 30 March 2008	25,068
Net book amounts at 30 March 2008	£ 6,269
30 March 2007	£ 12,536

**11 TANGIBLE FIXED ASSETS**

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
<b>Group</b>				
<b>COST</b>				
At 31 March 2007	476,301	2,960,161	179,407	3,615,869
Additions	58,568	839,921	84,495	982,984
Disposals			(11,927)	(11,927)
At 30 March 2008	534,869	3,800,082	251,975	4,586,926
<b>DEPRECIATION</b>				
At 31 March 2007	70,729	1,612,724	98,684	1,782,137
Charge for the year	24,914	485,360	41,312	551,586
Relating to disposals			(11,927)	(11,927)
At 30 March 2008	95,643	2,098,084	128,069	2,321,796
Net book amounts at 30 March 2008	£ 439,226	£ 1,701,998	£ 123,906	£ 2,265,130
30 March 2007	£ 405,572	£ 1,347,437	£ 80,723	£ 1,833,732

**LOCH DUART LIMITED****NOTES ON THE ACCOUNTS – 30 MARCH 2008****11 TANGIBLE FIXED ASSETS (continued)**

The net book amounts of plant and equipment and motor vehicles includes amounts of £301,324 (2007 £27,515) and £117,133 (2007 £75,193) in respect of assets held under finance leases and hire purchase contracts

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
<b>Company</b>				
<b>COST</b>				
At 31 March 2007	475,801	1,426,360	179,407	2,081,568
Additions	58,568	830,706	84,495	973,769
Disposals			(11,927)	(11,927)
At 30 March 2008	<u>534,369</u>	<u>2,257,066</u>	<u>251,975</u>	<u>3,043,410</u>
<b>DEPRECIATION</b>				
At 31 March 2007	70,729	937,508	98,684	1,106,921
Charge for the year	24,914	232,465	41,312	298,691
Relating to disposals			(11,927)	(11,927)
At 30 March 2008	<u>95,643</u>	<u>1,169,973</u>	<u>128,069</u>	<u>1,393,685</u>
Net book amounts at 30 March 2008	<u>£ 438,726</u>	<u>£ 1,087,093</u>	<u>£ 123,906</u>	<u>£ 1,649,725</u>
30 March 2007	<u>£ 405,072</u>	<u>£ 488,852</u>	<u>£ 80,723</u>	<u>£ 974,647</u>

The net book amounts of plant and equipment and motor vehicles include amounts of £301,324 (2007 £27,515) and £117,133 (2007 £75,193) in respect of assets held under finance leases and hire purchase contracts



**12 FIXED ASSET INVESTMENTS**

	Interests in group undertakings
<b>Group</b>	
<b>COST</b>	
At 31 March 2007 and at 30 March 2008	<u>£</u>
<b>Company</b>	
<b>COST</b>	
At 31 March 2007 and at 30 March 2008	<u>£ 31,343</u>

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%

**The Sustainable Salmon Company Limited**

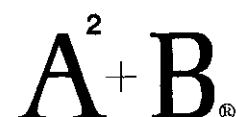
<i>Country of incorporation</i>	Scotland
<i>Nature of business</i>	Dormant
<i>Proportion of shares held</i>	100%

**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**

	2008	<b>Group</b> 2007	2008	<b>Company</b> 2007
	£	£	£	£
Fish	3,590,972	3,323,168	2,363,907	1,888,649
Feed and medicine	103,297	94,498	57,328	23,644
	<u>£ 3,694,269</u>	<u>£ 3,417,666</u>	<u>£ 2,421,235</u>	<u>£ 1,912,293</u>

**LOCH DUART LIMITED****NOTES ON THE ACCOUNTS – 30 MARCH 2008****14 DEBTORS**

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Trade debtors	1,559,608	1,054,789	1,558,117	1,053,298
VAT repayable	188,425	146,772	138,780	112,933
Prepayments and accrued income	87,328	75,718	83,086	44,498
Debt factoring account (Note 24)	21,429	84,309	21,429	84,309
	<u>£ 1,856,790</u>	<u>£ 1,361,588</u>	<u>£ 1,801,412</u>	<u>£ 1,295,038</u>

**15 CREDITORS** *amounts falling due within one year*

	2008	Group 2007	2008	Company 2007
	£	£	£	£
Bank loans (Notes 17 and 24)	129,473	121,227	129,473	121,227
Obligations under finance leases and hire purchase contracts	150,431	28,466	150,431	28,466
Trade creditors	2,591,510	1,789,244	1,628,448	1,081,612
Loan notes (Notes 17 and 24)	280,000	150,000		
Corporation tax	255,718	558,027		358,027
Amounts due to subsidiary undertaking			1,462,743	675,029
Other taxation and social security	37,610	36,384	29,528	28,289
Accruals	162,977	489,898	124,282	280,767
Other creditors	182,590	27,095	182,590	27,095
	<u>£ 3,790,309</u>	<u>£ 3,200,341</u>	<u>£ 3,707,495</u>	<u>£ 2,600,512</u>

**LOCH DUART LIMITED**

NOTES ON THE ACCOUNTS – 30 MARCH 2008

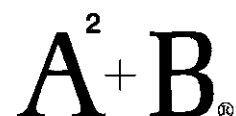
<sup>2</sup>  
A<sup>+</sup>B<sup>®</sup>

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

	2008 £	Group 2007 £	2008 £	Company 2007 £
Bank loan (Notes 17 and 24)	129,653	256,505	129,653	256,505
Obligations under finance leases and hire purchase contracts	310,842	33,354	310,842	33,354
Loan notes (Notes 17 and 24)	312,500	592,500		
	<u>£ 752,995</u>	<u>£ 882,359</u>	<u>£ 440,495</u>	<u>£ 289,859</u>

## 17 LOANS

	2008 £	Group 2007 £	2008 £	Company 2007 £
Not wholly repayable within five years				
Wholly repayable within five years	851,626	849,005	259,126	377,732
Less included in creditors amounts falling due within one year	<u>(409,473)</u>	<u>(271,227)</u>	<u>(129,473)</u>	<u>(121,227)</u>
	<u>£ 442,153</u>	<u>£ 577,778</u>	<u>£ 129,653</u>	<u>£ 256,505</u>
<i>Amounts repayable</i>				
In one year or less	409,473	271,227	129,473	121,227
Between one and two years	429,653	279,473	129,653	129,473
Between two and five years	12,500	569,532		127,032
	<u>£ 851,626</u>	<u>£ 1,120,232</u>	<u>£ 259,126</u>	<u>£ 377,732</u>

**LOCH DUART LIMITED****NOTES ON THE ACCOUNTS -- 30 MARCH 2008****17 LOANS (continued)**

At 30 March 2008 the group had loans as follows

- (a) 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 2008 £259,126 (2007 £377,732)
- (b) £312,500 of the loan notes are repayable by monthly instalments of £12,500. 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

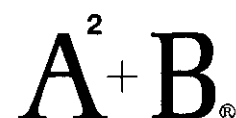
	2008 £	Group 2007 £	2008 £	Company 2007 £
As at 31 March 2007	91,799	17,727	13,799	17,727
(Credit)/charge for year	(1,033)	74,072	38,116	(3,928)
At 30 March 2008	<u>£ 90,766</u>	<u>£ 91,799</u>	<u>£ 51,915</u>	<u>£ 13,799</u>

Deferred tax provided in the accounts are as follows

	2008	Group 2007	2008	Company 2007
Capital allowances in advance of depreciation	<u>£ 90,766</u>	<u>£ 91,799</u>	<u>£ 51,915</u>	<u>£ 13,799</u>

**LOCH DUART LIMITED**

NOTES ON THE ACCOUNTS – 30 MARCH 2008



## 19 DEFERRED INCOME

	<b>Group Deferred grants</b>		<b>Company Deferred grants</b>	
	2008	2007	2008	2007
	£	£	£	£
At 31 March 2007	257,832	213,347	160,932	79,967
Received during the year	48,896	115,609	48,896	115,609
Released to profit and loss account	(88,315)	(71,124)	(51,835)	(34,644)
At 30 March 2008	<u>£ 218,413</u>	<u>£ 257,832</u>	<u>£ 157,993</u>	<u>£ 160,932</u>

## 20 SHARE CAPITAL

	<b>Group &amp; Company</b>	
	2008	2007
	£	£
<b>Authorised</b>		
Ordinary shares of £1 each	112,418	100,000
“A” ordinary shares of £1 each		66,666
Preference shares of £1 each	63,020	
	<u>£ 175,438</u>	<u>£ 166,666</u>
	2008	2007
	£	£
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	103,646	100,000
“A” ordinary shares of £1 each		66,666
Preference shares of £1 each	63,020	
	<u>£ 166,666</u>	<u>£ 166,666</u>

On 31 January 2008 the company passed a special resolution to increase the authorised share capital to £175,435 by the creation of 8,772 new ordinary shares of £1 each

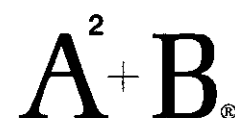
On that date the company also passed a special resolution to convert and re designate the following

- (a) 21,638 ‘A’ ordinary shares of £1 each and 41,382 ordinary shares of £1 each into 63,020 preference shares of £1 each
- (b) 45,028 remaining “A” ordinary shares of £1 each into 45,028 ordinary shares of £1 each

20 SHARE CAPITAL (continued)

The terms of the preference shares provide the following preferred rights

- (a) A dividend accruing at an annual rate equivalent to 8% of the price at which the preference shares were acquired, but payable only in the event of a sale or liquidation (and only if the preference shares had not been converted into Ordinary shares),
- (b) The right to share pro rata in any dividend declared on the Ordinary shares (as if the preference shares had been converted into Ordinary shares),
- (c) A preference on liquidation or sale in respect of the amount paid by the investors when they acquired their shares, plus the amount of the accrued dividend referred to at (a) above,
- (d) The right to convert into Ordinary shares on terms which ensure that the preference shareholders do not see any dilution in their overall shareholding percentage. In the event of conversion, the accrued dividend referred to at (a) above and the preference referred to at (c) above would not be applied. If the company performs as expected it is likely that the conversion would take place,
- (e) Rights to appoint up to two directors,
- (f) A number of occasions, particularly relating to matters regarding the company's shares, where the consent of the preference shareholders is required

**LOCH DUART LIMITED****NOTES ON THE ACCOUNTS – 30 MARCH 2008**
**21 RECONCILIATION OF SHAREHOLDERS' FUNDS  
AND MOVEMENTS ON RESERVES**

	Share capital £	Share premium £	Profit and loss account £	Total £
<b>Group</b>				
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	166,666	283,334	3,386,522	3,836,522
Profit for the year			676,855	676,855
Dividends			(100,000)	(100,000)
At 30 March 2008	<u>£ 166,666</u>	<u>£ 283,334</u>	<u>£ 3,963,377</u>	<u>£ 4,413,377</u>
<b>Company</b>				
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	166,666	283,334	1,828,759	2,278,759
Loss for the year			(16,620)	(16,620)
Dividends			(100,000)	(100,000)
At 30 March 2008	<u>£ 166,666</u>	<u>£ 283,334</u>	<u>£ 1,712,139</u>	<u>£ 2,162,139</u>

## 22 OTHER FINANCIAL COMMITMENTS

At 30 March 2008 the annual commitments under non cancellable operating leases were as follows

	<b>Land and buildings</b>			<b>Other</b>
	2008	2007	2008	2007
	£	£	£	£
<b>Group</b>				
<i>Operating leases which expire</i>				
In less than one year	100,000	36,400		
Within two to five years	6,350	14,998	1,191	1,191
In over five years	72,657	30,657		
	<u>£ 179,007</u>	<u>£ 82,055</u>	<u>£ 1,191</u>	<u>£ 1,191</u>
<b>Company</b>				
<i>Operating leases which expire</i>				
In less than one year	100,000	36,400		
Within two to five years	6,350	14,998	1,191	1,191
In over five years	48,657	6,657		
	<u>£ 155,007</u>	<u>£ 58,055</u>	<u>£ 1,191</u>	<u>£ 1,191</u>

## 23 CAPITAL COMMITMENTS

	2008	<b>Group</b> 2007	2008	<b>Company</b> 2007
Contracted for, but not provided	<u>£ 968,888</u>	<u>£ 124,532</u>	<u>£ 968,888</u>	<u>£ 124,532</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 2008 Drumbeg Salmon Limited had no net bank borrowings

## 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

<b>Related party</b>	<b>Transaction</b>	<b>£</b>	<b>Balance at year end £</b>
Scourie Estate, a joint ownership between Dr Jean Balfour and John Balfour	Rental of land and buildings	42,000	

**LOCH DUART LIMITED**

NOTES ON THE ACCOUNTS – 30 MARCH 2008

**A<sup>2</sup>+B<sup>®</sup>****26 RECONCILIATION OF OPERATING PROFIT TO  
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2008 £	2007 £
Operating profit	1,042,353	3,032,228
Gain on disposal of fixed assets	(750)	(8,950)
Depreciation	551,586	458,939
Amortisation	6,267	6,267
Increase in stocks	(276,603)	(242,622)
(Increase)/decrease in debtors	(558,082)	279,440
Increase/(decrease) in creditors	632,066	(47,658)
Deferred grant release	(88,315)	(71,124)
<b>Net cash inflow from operating activities</b>	<b>£ 1,308,522</b>	<b>£ 3,406,520</b>

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

	2008 £	2007 £
<b>Returns on investments and servicing of finance</b>		
Interest received	25,419	7,755
Interest paid	(99,355)	(115,230)
Interest element of hire purchase payments	(25,823)	(9,019)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>£ (99,759)</b>	<b>£ (116,494)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(499,696)	(494,410)
Sale of fixed assets	750	15,950
Receipts of capital grants	48,896	115,609
<b>Net cash outflow from capital expenditure</b>	<b>£ (450,050)</b>	<b>£ (362,851)</b>
<b>Net cash outflow from equity dividends paid</b>	<b>£ (100,000)</b>	<b>£ (75,000)</b>
<b>Financing</b>		
Repayment of loans	(118,606)	(144,063)
Repayment of loan notes	(150,000)	(150,000)
Capital element of finance lease rental payments	(83,835)	(91,173)
<b>Net cash outflow from financing</b>	<b>£ (352,441)</b>	<b>£ (385,236)</b>

28 ANALYSIS OF NET DEBT

	At 30 March 2007 £	Cash flow £	Other changes £	At 30 March 2008 £
Cash at bank and in hand	1,727,640	(262,808)		1,464,832
Loans	(377,733)	118,606		(259,127)
Loan notes	(742,500)	150,000		(592,500)
Hire purchase	(61,820)	83,835	(483,288)	(461,273)
	<u>£ 545,587</u>	<u>£ 89,633</u>	<u>£ (483,288)</u>	<u>£ 151,932</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

30 EVENTS AFTER THE BALANCE SHEET DATE

Immediately after close of business on 30 March 2008, the trade, assets and liabilities of the subsidiary company, Drumbeg Salmon Limited were hived up into Loch Duart Limited