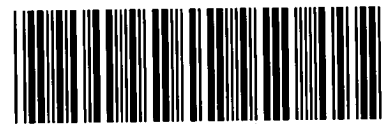


LOCH DUART LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017



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LOCH DUART LIMITED

COMPANY INFORMATION

Directors	Dr A Barbour A Bing A Denton S Maguire N Joy J Goerke
Secretary	S Maguire
Company number	SC195923
Registered office	15 Atholl Crescent Edinburgh EH3 8HA
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE

LOCH DUART LIMITED

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LOCH DUART LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report and financial statements for the year ended 31 March 2017.

Fair review of the business

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

The results for the year are set out on page 7 and the directors are delighted to report a profit for the year of £8,166,710. The performance stems directly from the continued investment in the next generation of fish whilst the company was experiencing the prior year losses as well as the quality of the fish the company supplies to its core customer base.

Since the year end the company has continued to trade profitably, justifying the confidence of the investors in March 2016.

SCOTLAND

The company has continued to invest heavily in Research and Development to improve various areas of Production. The changing nature of the biological and weather challenges prevalent in Scotland coupled with the company's attitude to improvement and developing best practice bring innovation and help maintain the company's record of sustainable quality and superior taste. Further improvements in the use of cleaner fish have been developed, with encouraging fish welfare and growth results as well as continued reduction in the use of medicinal treatment being possible.

The year saw some of the most sustained high prices for many years. As a result of the company's commitment to the quality of its fish and the servicing of its customers' requirements it was able to deliver a strong performance. There is no expectation that such levels of price will continue and the company's focus is on welfare, health and performance improvements. Biomass in the sea at the end of March 2017 is at the levels required to deliver the next year budget volume.

CANADA

The previously reported and long awaited Canadian revised application process for sea farming sites is yet to produce anything substantial on which to base the company's progress in the country.

As a result, the company previously wrote-down the values of its interest in the area to the immediately realisable tangible assets and is unconvinced of the merits of a continued presence in the country. The company retains little more than the licences to operate. The Canadian operations will be wound down as soon as practical.

Key performance indicators

The company monitors turnover and profit as the key financial KPIs of the business. Turnover has increased to £42.5M from £26.4M in 2016 and profit for the year is £8.2M against a loss in 2016 of £2.3M. The company's financial performance is influenced by movement of non-financial KPIs. These are predominantly production metrics around fish survival, growth, feed conversion rates and production volume.

LOCH DUART LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Principal risks and uncertainties

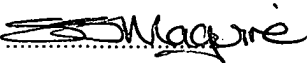
The company exports a significant percentage of its production and is therefore exposed to exchange rate movements. The company seeks to manage those risks via appropriate treasury management.

The geographic diversification spreads the group over many locations, sales markets and health & welfare issues. The pursuit of this diversification will reduce the operational, and hence financial, risk faced by the business.

The company has historically enjoyed good prices and been resilient to the more extreme market movements but remains exposed to some potential price volatility around issues of supply in the wider market.

Risks in relation to fish health and mortality levels are inevitable in aquaculture, but the company considers its husbandry and welfare practices are capable of minimising such risks to the extent that they can be addressed.

On behalf of the board



S Maguire

Director

22 November 2017

LOCH DUART LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the group and company is that of salmon farming in the North West of Scotland. The business and its brand are built on a foundation of providing whole gutted fish to trade outlets in a variety of countries. The majority of sales are therefore export.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr A Barbour

A Balfour

(Resigned 30 June 2016)

A Bing

A Denton

J Goerke

N Joy

(Resigned 30 April 2016, reappointed 22 August 2016)

S Maguire

A Williamson

(Resigned 31 October 2017)

Results and dividends

The results for the year are set out on page 7.

No ordinary or preference dividends were paid or proposed.

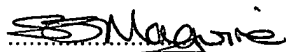
Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

Environment and welfare

The welfare of both staff and fish are crucial to the company both for the quality of the product and the sustainability of the business. These are areas of differentiation on which the company was founded and which influence every area of operation. As well as being accredited to ISO 14001, the company is also accredited to several other quality schemes, details of which are available on the company's website at www.lochduart.com.

On behalf of the board



S Maguire

Director

22 November 2017

LOCH DUART LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LOCH DUART LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCH DUART LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Loch Duart Limited for the year ended 31 March 2017 set out on pages 7 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

LOCH DUART LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF LOCH DUART LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Johnston Carmichael LLP

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

27 November 2017
.....

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

LOCH DUART LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	3	42,503,291	26,393,695
Cost of sales		(28,406,617)	(23,546,575)
Gross profit		<u>14,096,674</u>	<u>2,847,120</u>
Administrative expenses		(5,487,988)	(4,987,249)
Other operating income		212,679	151,739
Profit/(loss) on disposal of assets		(2,455)	38,253
Operating profit/(loss)	4	<u>8,818,910</u>	<u>(1,950,137)</u>
Interest payable and similar expenses	8	(342,850)	(400,449)
Profit/(loss) before taxation		<u>8,476,060</u>	<u>(2,350,586)</u>
Taxation	9	(309,350)	71,166
Profit/(loss) for the financial year	24	<u><u>8,166,710</u></u>	<u><u>(2,279,420)</u></u>

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

LOCH DUART LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	2016 £
Profit/(loss) for the year	8,166,710	(2,279,420)
	<u> </u>	<u> </u>
Other comprehensive income		
Revaluation of tangible fixed assets	-	67,526
Cash flow hedges gain/(loss) arising in the year	-	(493,503)
	<u> </u>	<u> </u>
Other comprehensive income for the year	-	(425,977)
	<u> </u>	<u> </u>
Total comprehensive income for the year	8,166,710	(2,705,397)
	<u> </u>	<u> </u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

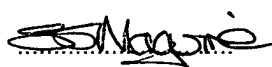
LOCH DUART LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	11	1,649,427		1,133,132	
Tangible assets	12	6,423,644		5,268,766	
		<u>8,073,071</u>		<u>6,401,898</u>	
Current assets					
Stocks	14	11,066,952	8,791,708		
Debtors	15	5,527,478	4,255,122		
Cash at bank and in hand		1,990,730	1,948,291		
		<u>18,585,160</u>	<u>14,995,121</u>		
Creditors: amounts falling due within one year	17	<u>(7,312,037)</u>	<u>(10,392,506)</u>		
Net current assets		<u>11,273,123</u>		<u>4,602,615</u>	
Total assets less current liabilities		<u>19,346,194</u>		<u>11,004,513</u>	
Creditors: amounts falling due after more than one year	18	<u>(3,160,626)</u>	<u>(3,660,462)</u>		
Provisions for liabilities	20	<u>(63,751)</u>	<u>(45,273)</u>		
Net assets		<u><u>16,121,817</u></u>		<u><u>7,298,778</u></u>	
Capital and reserves					
Called up share capital	21	513,613	513,613		
Share premium account	24	4,274,918	4,274,918		
Revaluation reserve	24	665,513	665,513		
Other reserves	24	1,451,126	1,288,300		
Capital redemption reserve	24	4,631,190	4,631,190		
Hedging reserve	24	-	(493,503)		
Profit and loss reserves	24	4,585,457	(3,581,253)		
Total equity		<u><u>16,121,817</u></u>	<u><u>7,298,778</u></u>		

The financial statements were approved by the board of directors and authorised for issue on 22 November 2017 and are signed on its behalf by:



S Maguire
Director

LOCH DUART LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	11	1,649,427		1,133,132	
Tangible assets	12	6,423,644		4,894,482	
Investments	13	21		21	
		<u>8,073,092</u>		<u>6,027,635</u>	
Current assets					
Stocks	14	11,066,952		8,791,708	
Debtors	15	5,524,269		4,388,771	
Cash at bank and in hand		1,974,490		1,915,917	
		<u>18,565,711</u>		<u>15,096,396</u>	
Creditors: amounts falling due within one year	17	<u>(7,345,715)</u>		<u>(10,121,147)</u>	
Net current assets		11,219,996		4,975,249	
Total assets less current liabilities		<u>19,293,088</u>		<u>11,002,884</u>	
Creditors: amounts falling due after more than one year	18	(3,083,279)		(3,591,474)	
Provisions for liabilities	20	(63,751)		(45,273)	
Net assets		<u><u>16,146,058</u></u>		<u><u>7,366,137</u></u>	

LOCH DUART LIMITED

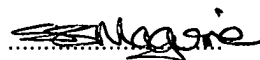
COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Capital and reserves					
Called up share capital	21	513,613		513,613	
Share premium account	24	4,274,918		4,274,918	
Revaluation reserve	24	665,513		665,513	
Other reserves	24	1,863,351		1,748,914	
Capital redemption reserve	24	4,631,190		4,631,190	
Hedging reserve	24	-		(493,503)	
Profit and loss reserves	24	4,197,473		(3,974,508)	
Total equity		<u>16,146,058</u>		<u>7,366,137</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £8,171,981 (2016 - loss of £1,881,243).

The financial statements were approved by the board of directors and authorised for issue on 22 November 2017 and are signed on its behalf by:



S Maguire
Director

Company Registration No. SC195923

LOCH DUART LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Hedging reserve £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 2015		316,812	3,979,716	597,987	-	4,631,190	(431,938)	(1,301,833)	7,791,934
Year ended 31 March 2016:									
Loss for the year		-	-	-	-	-	-	(2,279,420)	(2,279,420)
Other comprehensive income:									
Revaluation of tangible fixed assets		-	-	67,526	-	-	-	-	67,526
Cash flow hedges losses arising in the year		-	-	-	(493,503)	-	-	-	(493,503)
Total comprehensive income for the year		-	-	67,526	(493,503)	-	-	(2,279,420)	(2,705,397)
Issue of share capital	21	196,801	295,202	-	-	-	-	-	492,003
Foreign currency exchange movements		-	-	-	-	-	(28,676)	-	(28,676)
Equity portion of convertible loan notes		-	-	-	-	-	1,748,914	-	1,748,914
Balance at 31 March 2016		513,613	4,274,918	665,513	(493,503)	4,631,190	1,288,300	(3,581,253)	7,298,778
Year ended 31 March 2017:									
Profit and total comprehensive income for the year		-	-	-	-	-	-	8,166,710	8,166,710
Foreign currency exchange movements		-	-	-	-	-	48,389	-	48,389
Equity portion of convertible loan notes		-	-	-	-	-	114,437	-	114,437
Cash flow hedges gains arising in the year		-	-	-	493,503	-	-	-	493,503
Balance at 31 March 2017		513,613	4,274,918	665,513	-	4,631,190	1,451,126	4,585,457	16,121,817

LOCH DUART LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Hedging reserve £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 2015		316,812	3,979,716	597,987	-	4,631,190	-	(2,093,265)	7,432,440
Year ended 31 March 2016:									
Loss for the year		-	-	-	-	-	-	(1,881,243)	(1,881,243)
Other comprehensive income:									
Revaluation of tangible fixed assets		-	-	67,526	-	-	-	-	67,526
Cash flow hedges losses arising in the year		-	-	-	(493,503)	-	-	-	(493,503)
Total comprehensive income for the year		-	-	67,526	(493,503)	-	-	(1,881,243)	(2,307,220)
Issue of share capital	21	196,801	295,202	-	-	-	-	-	492,003
Equity portion of convertible loan notes		-	-	-	-	-	1,748,914	-	1,748,914
Balance at 31 March 2016		513,613	4,274,918	665,513	(493,503)	4,631,190	1,748,914	(3,974,508)	7,366,137
Year ended 31 March 2017:									
Profit and total comprehensive income for the year		-	-	-	-	-	-	8,171,981	8,171,981
Equity portion of convertible loan notes		-	-	-	-	-	114,437	-	114,437
Cash flow hedges gains arising in the year		-	-	-	493,503	-	-	-	493,503
Balance at 31 March 2017		513,613	4,274,918	665,513	-	4,631,190	1,863,351	4,197,473	16,146,058

LOCH DUART LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	30		7,599,240		(3,289,955)
Interest paid			(196,478)		(400,449)
Income taxes refunded/(paid)			126,608		-
Net cash inflow/(outflow) from operating activities			7,529,370		(3,690,404)
Investing activities					
Purchase of tangible fixed assets		(2,884,430)		(25,488)	
Proceeds on disposal of tangible fixed assets		108,158		85,618	
Net cash (used in)/generated from investing activities			(2,776,272)		60,130
Financing activities					
Proceeds from issue of shares		-		492,003	
Government grants received		300,000		256,126	
Repayment of debentures		(2,420,770)		1,264,429	
Repayment of borrowings		(1,243,432)		(119,786)	
Proceeds of new bank loans		-		3,507,997	
Payment of finance leases obligations		(407,072)		(520,340)	
Net cash (used in)/generated from financing activities			(3,771,274)		4,880,429
Net increase in cash and cash equivalents			981,824		1,250,155
Cash and cash equivalents at beginning of year			299,074		(1,002,304)
Effect of foreign exchange rates			-		51,223
Cash and cash equivalents at end of year			1,280,898		299,074
Relating to:					
Cash at bank and in hand			1,990,730		1,948,291
Bank overdrafts included in creditors payable within one year			(709,832)		(1,649,217)

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Company information

Loch Duart Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is 15 Atholl Crescent, Edinburgh, EH3 8HA.

The group consists of Loch Duart Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Loch Duart Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.3 Going concern

The Group made a profit for the year of £8.2m following losses of £2.3m made in the prior year. The root cause of the prior year losses was a fish mortality event in late 2014 and in the year to March 2017 the company returned to normal production volumes.

During the year, the Group renewed its banking facilities to April 2018. This, coupled with the better than expected results for the year, leaves the Group in a stronger financial position than it has been for some time.

The Group has prepared cash flow projections to March 2019. These projections indicate that the Group is expected to retain significant levels of cash headroom based on conservative assumptions, primarily due to the results published here.

These projections are dependent upon the assumptions used, the most significant of which are:

- Fish mortality – the group anticipates mortality will be within recently experienced ranges
- Fish growth – growth performance consistent with the current year is projected across all sites
- Fish Health – stock rotation, husbandry and treatment strategies are projected to continue to allow this risk to be managed and as a result allow fish to be harvested to market demand
- Price – price assumptions are based on prices lower than current market value to reflect the risk that prices are likely to fall to more sustainable levels than the current market value. If market prices were to remain in excess of the price forecasted for longer than anticipated, this will represent upside to the Group.

Having considered the above projections, the directors are satisfied that it remains appropriate to prepare the financial statements on a going concern basis.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Sales are recognised when goods are despatched.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Sea sites

Sea site leases and associated rights are capitalised at cost. The lease granted is for an indefinite period. As the sea sites are integral to the Group's operations, the useful economic life related to the sea site lease has also been reasonably estimated to be indefinite. They are however reviewed annually for impairment.

FRS102 prevents these being carried at any value above cost because the volume of sale transactions is insufficient to qualify as an active market for revaluation purposes. With the difficulty and cost of acquiring new sites being high, the directors are however satisfied that there is significant value attached to these assets over and above their cost value.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	50 years
Plant and machinery	2-10 years
Motor vehicles	2-4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Stocks

Stock is 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.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.13 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The Group designates certain hedging instruments, including derivatives, as cash flow hedges.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as of the income statement as the hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. The deferred tax asset and/or liability balance has not been discounted.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

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

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.19 Foreign exchange

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.

The accounts of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange rate difference arising on the retranslation of opening net assets is taken directly to reserves.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock valuation

The Group values stock on the basis of costs incurred in growing the fish remaining in the water at the balance sheet date. Although a review is made at that point to ensure the carrying value of stock is not greater than the likely eventual sale value, the volatility of market volumes and prices affect the future accuracy of that calculation. With almost all such fish requiring the application of additional cost before they reach market weight, a judgement of that must be made of the likely future cost to reach market. That is done in detail as part of the budget process for the following year.

Depreciation

The company assumes a relatively conservative set of asset lives and recognises depreciation on a straight line basis as the intention is to use any asset over its full life. As a result, net book value may be overstated early in the asset life and understated later in life. The company continues to operate with many assets recorded at nil net book value but which continue to contribute to the company's operation.

Convertible debt

The convertible debt held is non interest bearing, therefore under FRS 102 the Group is required to amortise the loan using an imputed market rate of interest. The Group has discounted the convertible debt at a rate equivalent to the estimated market rate of interest at issue for a similar instrument, to comply with the accounting standards requirements. However, this debt is more closely described as deferred equity than repayable loan, as it is more likely to be converted than repaid. The Group considers that disclosure over and above the requirements of FRS 102 is required to fully explain the nature of the debt. The debt can convert to preference shares which carry an 8% dividend and so the company has reported a discounted value using that rate. Any such dividend will not be a cost to the company, as it is relevant only in the calculation for distribution of assets amongst different classes of share.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2017 £	2016 £
Turnover		
Sale of goods	42,503,291	26,393,695
	<u> </u>	<u> </u>
Other significant revenue		
Grants received	191,151	135,720
	<u> </u>	<u> </u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

3 Turnover and other revenue (Continued)

In the opinion of the directors it would be seriously prejudicial to the group's interests to disclose the geographical analysis of turnover.

4 Operating profit/(loss)

	2017 £	2016 £
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange gains	(31,568)	(40,780)
Government grants	(191,151)	(135,720)
Depreciation of owned tangible fixed assets	1,236,227	980,394
Depreciation of tangible fixed assets held under finance leases	156,266	329,901
Impairment of owned tangible fixed assets	(3,678)	158,634
Cost of stocks recognised as an expense	26,660,590	22,329,691
Operating lease charges	396,646	154,616

£312,991 of depreciation charged in the year is included in the year end stock valuation (2016: £368,853).

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	28,750	25,000
For other services		
Taxation compliance services	6,950	3,750
Other taxation services	18,990	-
	25,940	3,750

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Management	6	7	6	7
Administration	14	12	14	12
Operations	89	84	89	84
	109	103	109	103

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	3,740,206	3,148,682	3,740,206	3,148,682
Social security costs	285,616	275,982	285,616	274,988
Pension costs	63,319	69,724	60,275	63,132
	<u>4,089,141</u>	<u>3,494,388</u>	<u>4,086,097</u>	<u>3,486,802</u>

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	604,619	611,447
Company pension contributions to defined contribution schemes	20,580	38,453
	<u>625,199</u>	<u>649,900</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>198,539</u>	<u>163,948</u>
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8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	120,870	302,653
Interest on shareholder loans	146,372	-
Interest on finance leases and hire purchase contracts	75,608	97,796
	<u>342,850</u>	<u>400,449</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	417,480	-
Adjustments in respect of prior periods	(126,608)	-
Total current tax	290,872	-
Deferred tax		
Origination and reversal of timing differences	20,993	(71,166)
Changes in tax rates	(2,515)	-
Total deferred tax	18,478	(71,166)
Total tax charge/(credit)	309,350	(71,166)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit/(loss) before taxation	8,476,060	(2,350,586)
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	1,695,212	(470,117)
Tax effect of expenses that are not deductible in determining taxable profit	42,491	12,265
Adjustments in respect of prior years	(126,608)	153,341
Effect of change in corporation tax rate	(139,452)	-
Depreciation on assets not qualifying for tax allowances	-	(5,546)
Effect of overseas tax rates	-	79,635
Deferred tax adjustments in respect of prior years	-	2,408
Timing differences not recognised	36,799	(98,701)
Deferred tax not recognised	-	255,549
Utilisation of losses brought forward	(1,199,092)	-
Tax expense for the year	309,350	(71,166)

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2017 £	2016 £
In respect of:		
Property, plant and equipment	(3,678)	158,634
Recognised in:		
Administrative expenses	(3,678)	158,634

During 2016, it was determined by the Directors that the value of property, plant and equipment held by Snow Island Inc required to be impaired following the decision to wind down operations in Canada.

11 Intangible fixed assets

Group	Goodwill £	Sea sites £	Total £
Cost			
At 1 April 2016	223,755	2,278,956	2,502,711
Additions - separately acquired	-	550,000	550,000
Disposals	-	(33,705)	(33,705)
At 31 March 2017	223,755	2,795,251	3,019,006
Amortisation and impairment			
At 1 April 2016 and 31 March 2017	223,755	1,145,824	1,369,579
Carrying amount			
At 31 March 2017	-	1,649,427	1,649,427
At 31 March 2016	-	1,133,132	1,133,132
Company			
	Goodwill £	Sea sites £	Total £
Cost			
At 1 April 2016	223,755	1,255,201	1,478,956
Additions - separately acquired	-	550,000	550,000
Disposals	-	(33,705)	(33,705)
At 31 March 2017	223,755	1,771,496	1,995,251
Amortisation and impairment			
At 1 April 2016 and 31 March 2017	223,755	122,069	345,824

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

11 Intangible fixed assets

(Continued)

Carrying amount

At 31 March 2017	-	1,649,427	1,649,427
At 31 March 2016	-	1,133,132	1,133,132

12 Tangible fixed assets

Group	Land and buildings freehold £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2016	1,756,670	14,380,304	561,534	16,698,508
Additions	3,825	2,449,661	430,944	2,884,430
Disposals	(48,825)	(2,896,906)	(150,991)	(3,096,722)
Exchange adjustments	38,834	113,695	2,383	154,912
At 31 March 2017	1,750,504	14,046,754	843,870	16,641,128
Depreciation and impairment				
At 1 April 2016	208,642	10,816,328	404,772	11,429,742
Depreciation charged in the year	287,962	1,332,585	84,937	1,705,484
Impairment losses	-	(3,678)	-	(3,678)
Eliminated in respect of disposals	(4,131)	(2,867,453)	(148,888)	(3,020,472)
Exchange adjustments	16,217	87,981	2,210	106,408
At 31 March 2017	508,690	9,365,763	343,031	10,217,484
Carrying amount				
At 31 March 2017	1,241,814	4,680,991	500,839	6,423,644
At 31 March 2016	1,548,028	3,563,976	156,762	5,268,766

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

12 Tangible fixed assets

(Continued)

Company	Land and buildings freehold £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2016	1,457,003	13,502,956	543,144	15,503,103
Additions	3,825	2,449,661	430,944	2,884,430
Disposals	(48,825)	(2,896,906)	(150,991)	(3,096,722)
At 31 March 2017	1,412,003	13,055,711	823,097	15,290,811
Depreciation and impairment				
At 1 April 2016	83,500	10,137,402	387,719	10,608,621
Depreciation charged in the year	90,820	1,104,771	83,427	1,279,018
Eliminated in respect of disposals	(4,131)	(2,867,453)	(148,888)	(3,020,472)
At 31 March 2017	170,189	8,374,720	322,258	8,867,167
Carrying amount				
At 31 March 2017	1,241,814	4,680,991	500,839	6,423,644
At 31 March 2016	1,373,503	3,365,554	155,425	4,894,482

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2017 £	2016 £	Company 2017 £	2016 £
Plant and machinery	685,404	771,041	685,404	771,041
Motor vehicles	43,502	129,660	43,502	129,660
	728,906	900,701	728,906	900,701
Depreciation charge for the year in respect of leased assets	156,266	329,901	156,266	329,901

Land and buildings with a carrying amount of £877,424 were revalued at 4 November 2015 by Graham & Sibbald, independent valuers not connected with the company, on the basis of market value. The valuation conforms to RICS Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

12 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Cost	879,019	879,019	879,019	879,019
Accumulated depreciation	180,126	162,816	180,126	162,816
Carrying value	<u>698,893</u>	<u>716,203</u>	<u>698,893</u>	<u>716,203</u>

More information on the impairment arising in the year is given in note 10.

13 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	29	-	-	21	21

14 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	436,706	273,872	436,706	273,872
Finished goods and goods for resale	10,630,246	8,517,836	10,630,246	8,517,836
	<u>11,066,952</u>	<u>8,791,708</u>	<u>11,066,952</u>	<u>8,791,708</u>

Reconciliation of fish stocks

Opening fish stocks at 1 April 2016	8,517,836
Purchases and capitalisation of costs	12,456,163
Decreases due to harvests	(9,003,817)
Decreases due to other changes	(1,339,936)
Closing fish stocks at 31 March 2017	<u>10,630,246</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

15 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	4,188,645	3,696,512	4,188,645	3,667,485
Amounts due from associate undertakings	-	-	-	186,086
Other debtors	443,592	251,484	440,383	228,074
Prepayments and accrued income	895,241	307,126	895,241	307,126
	<u>5,527,478</u>	<u>4,255,122</u>	<u>5,524,269</u>	<u>4,388,771</u>

16 Loans and overdrafts

	Group 2017 £	2016 £	Company 2017 £	2016 £
Debenture loans	78,533	2,499,303	78,533	2,499,303
Bank overdrafts	709,832	1,649,217	709,832	1,649,217
Shareholder loans	1,832,128	3,075,560	1,754,200	2,787,265
	<u>2,620,493</u>	<u>7,224,080</u>	<u>2,542,565</u>	<u>6,935,785</u>
Payable within one year	788,946	5,182,827	788,365	4,963,520
Payable after one year	<u>1,831,547</u>	<u>2,041,253</u>	<u>1,754,200</u>	<u>1,972,265</u>

Shareholder loans above includes unsecured convertible loan notes which bear no interest and mature between 2024 and 2026. These loan notes may be redeemed at the principal amount or converted to fully paid senior shares at the investors' discretion.

During 2016, new loan notes totalling £3,257,998 were issued. As these loan notes were issued below a market rate of interest, FRS 102 requires an imputed interest rate to be used to discount the borrowings (refer to Convertible Debt critical judgement in Note 2). The difference between the principal and discounted loan amounts is credited to other reserves. These loan notes have therefore been included within Other loans at their fair value of £1,509,083.

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

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

In addition, Eksport Kreditt hold a bond and floating charge.

The above securities are subject to a ranking agreement.

A cross guarantee is in place between the parent company and its subsidiary undertakings.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

17 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Debenture loans	16	78,533	2,499,303	78,533	2,499,303
Bank loans and overdrafts	16	709,832	1,649,217	709,832	1,649,217
Obligations under finance leases	19	408,014	411,220	408,014	411,220
Other borrowings	16	581	1,034,307	-	815,000
Trade creditors		3,744,595	3,688,676	3,744,595	3,681,748
Amounts due to undertakings in which the group has a participating interest		-	-	42,564	-
Corporation tax payable		417,480	-	417,480	-
Other taxation and social security		93,590	140,770	85,888	102,602
Derivative financial instruments		-	493,503	-	493,503
Accruals and deferred income		1,859,412	475,510	1,858,809	468,554
		<u>7,312,037</u>	<u>10,392,506</u>	<u>7,345,715</u>	<u>10,121,147</u>

18 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Obligations under finance leases	19	575,031	978,897	575,031	978,897
Other borrowings	16	1,831,547	2,041,253	1,754,200	1,972,265
Deferred income	22	754,048	640,312	754,048	640,312
		<u>3,160,626</u>	<u>3,660,462</u>	<u>3,083,279</u>	<u>3,591,474</u>

19 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Within one year	408,014	411,220	408,014	411,220
In two to five years	575,031	978,897	575,031	978,897
	<u>983,045</u>	<u>1,390,117</u>	<u>983,045</u>	<u>1,390,117</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Group		
Accelerated capital allowances	<u>63,751</u>	<u>45,273</u>
	Liabilities 2017 £	Liabilities 2016 £
Company		
Accelerated capital allowances	<u>63,751</u>	<u>45,273</u>
	Group 2017 £	Company 2017 £
Movements in the year:		
Liability at 1 April 2016	45,273	45,273
Charge to profit or loss	18,478	18,478
	<u>63,751</u>	<u>63,751</u>
Liability at 31 March 2017	<u>63,751</u>	<u>63,751</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

21 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
103,646 Ordinary shares of £1 each	103,646	103,646
	<u> </u>	<u> </u>
Preference share capital		
Issued and fully paid		
63,020 B Preference shares of £1 each	63,020	63,020
346,947 A Preference shares of £1 each	346,947	346,947
	<u> </u>	<u> </u>
	409,967	409,967
	<u> </u>	<u> </u>

During 2016 investors purchased 196,801 A preference shares at a price of £2.50 per share.

The terms of the A and B preference shares provide the following preferred rights:

(i) 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);

(ii) 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;

(iii) The right to convert into Ordinary shares.

22 Deferred income

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Arising from Government Grants	754,048	640,312	754,048	640,312
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Capital expenditure grants of £300,000 (2016: £256,125) were received during the year.

23 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	38,718	51,548
	<u> </u>	<u> </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Reserves

Share premium

This reserve records the amount above the nominal value shares sold, less transaction costs.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

24 Reserves

(Continued)

Revaluation reserve

This reserve records the revaluation of assets in excess of historic cost.

Capital redemption reserve

This reserves represents the premium at which investors converted convertible debt into a capital contribution through the issuance of preference shares.

Hedging reserve

Represents the deferred loss on derivatives classified as cash flow hedges.

Other Reserves

Contained within Other Reserves is the foreign currency translation reserve and the convertible loan note reserve. The foreign currency translation reserve arises on consolidation of subsidiaries with functional currencies different to that of the Group's functional and presentational currency, pounds sterling. The convertible loan note reserve represents the equity component of the loan at initial issue less transfers to retained earnings in respect of this component using the effective interest rate method.

25 Contingent Liabilities

The A and B preference share dividend payment is dependent on uncertain future events, being the sale or liquidation of the business. As a result the potential liability at the balance sheet date amounting to £83,251 (2016: £66,197) has not been provided for in these financial statements.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

26 Related party transactions

Transactions with related parties

During the year, the company rented land and buildings for £53,900 (2016: £53,900) from Scourie Estate which is jointly owned by a former director and other members of his family.

The company incurred interest of £1,560 (2016: £33,539) in respect of a loan from C Balfour, the wife of a former director. At the year end, the loan balance outstanding including interest due was £nil (2016: £87,939).

During the year the company made purchases totalling £nil (2016: £86,015) from Scottish Quality Salmon Limited and Scottish Salmon Producers Organisation Limited, companies in which Alban Denton was a director during the year. Included in creditors at the year end is an amount of £9,447 (2016: £2,415) due to the companies.

27 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Within one year	273,064	238,752	273,064	238,752
Between two and five years	712,988	467,622	712,988	467,622
In over five years	111,000	224,425	111,000	224,425
	<u>1,097,052</u>	<u>930,799</u>	<u>1,097,052</u>	<u>930,799</u>

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Acquisition of property, plant and equipment	<u>517,354</u>	<u>-</u>	<u>517,354</u>	<u>-</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

29 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Salar Smokehouse Limited	Scotland	Dormant	Ordinary	100.00	
Drumbeg Salmon Limited	Scotland	Dormant	Ordinary	100.00	
The Sustainable Salmon Company Limited	Scotland	Dormant	Ordinary	100.00	
The Sustainable Food Company Limited	Scotland	Dormant	Ordinary	100.00	
Snow Island Salmon Inc	Canada	Salmon farming	Ordinary	100.00	
Loch Duart (Mozambique) Limited	Scotland	Dormant	Ordinary	100.00	
Atlantic Sea Smolt Inc*	Canada	Salmon farming	Ordinary		100.00
Aquapemba Limitada	Mozambique	Dormant	Ordinary	27.00	

* Investment held directly by Snow Island Salmon Inc

30 Cash generated from group operations

	2017 £	2016 £
Profit/(loss) for the year after tax	8,166,710	(2,279,420)
Adjustments for:		
Taxation charged/(credited)	309,350	(71,166)
Finance costs	342,850	400,449
Loss/(gain) on disposal of tangible fixed assets	31,250	(38,253)
Loss on disposal of intangible assets	33,705	-
Depreciation and impairment of tangible fixed assets	1,701,806	1,837,782
Grant provision	(300,000)	(135,720)
Net effect of foreign exchange differences	-	(40,782)
Movements in working capital:		
(Increase) in stocks	(2,275,244)	(1,867,775)
(Increase) in debtors	(1,272,356)	(2,298,204)
Increase in creditors	752,320	1,082,728
Increase in deferred income	108,849	120,406
Cash generated from/(absorbed by) operations	7,599,240	(3,289,955)