

<sup>2</sup>  
A+B

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

**DIRECTORS' REPORT AND ABBREVIATED ACCOUNTS**

**30 MARCH 2003**



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

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

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

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

Secretary: A J Balfour

Registered office: 15 Atholl Crescent, Edinburgh

The directors submit their report and the abbreviated accounts of the company for the year ended 30 March 2003.

**RESULTS AND DIVIDENDS**

The loss for the year, amounting to £96,920 (2002 - profit £100,926), has been dealt with as shown in the profit and loss account. No dividends were paid during the year (2002 - £17,500).

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS**

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

The directors consider the results for the year to be satisfactory. No major changes are foreseen.

**DIRECTORS AND DIRECTORS' INTERESTS**

The directors of the company during the year were as noted above.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company throughout the year were as follows:

|             | Ordinary shares of £1 each<br>2003 & 2002 | "A" Ordinary shares of £1 each<br>2003 & 2002 |
|-------------|---|---|
| A J Balfour | 33,333                                    | 19,970  |
| A J C Bing  | 33,334                                    | 834   |
| N H Joy     | 33,333                                    | 834   |

**LOCH DUART LIMITED**  
**DIRECTORS' REPORT (continued)**

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

**AUDITORS**

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

By order of the board

A handwritten signature in dark ink, appearing to read 'J. Balfour', written in a cursive style.

Secretary

**LOCH DUART LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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 LOCH DUART LIMITED  
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 5 to 18 with the full accounts of the company prepared under Section 226 of the Companies Act 1985 for the year ended 30 March 2003.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

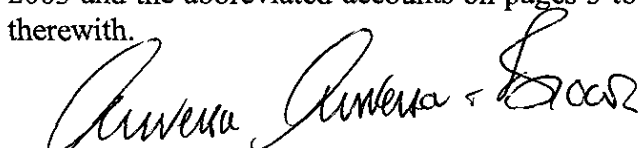
The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts and whether or not the abbreviated accounts have been properly prepared in accordance with those provisions.

**Basis of opinion**

We have carried out the procedures we consider necessary to discharge our responsibilities set out above. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full accounts.

**Opinion on the abbreviated accounts**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246(5) and (6) of the Companies Act 1985 in respect of the year ended 30 March 2003 and the abbreviated accounts on pages 5 to 18 have been properly prepared in accordance therewith.



Anderson Anderson & Brown  
Chartered Accountants  
Registered Auditors  
Aberdeen

6 September 2003

**LOCH DUART LIMITED**  
**ABBREVIATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 MARCH 2003**

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

|                                      | Note | 2003<br>£  | 2002<br>£ |
|--------------------------------------|------|------------|-----------|
| GROSS PROFIT                         |      | 1,005,095  | 1,340,602 |
| Operating costs                      | 2    | 1,055,240  | 1,141,539 |
| NET OPERATING (LOSS)/PROFIT          | 3    | (50,145)   | 199,063   |
| Interest payable and similar charges | 6    | 79,775     | 77,527    |
| (LOSS)/PROFIT BEFORE TAXATION        |      | (129,920)  | 121,536   |
| Taxation                             | 7    | (33,000)   | 20,610    |
| (LOSS)/PROFIT AFTER TAXATION         |      | (96,920)   | 100,926   |
| Dividends                            | 8    | -          | 17,500    |
| (ACCUMULATED LOSS)/RETAINED PROFIT   |      | £ (96,920) | £ 83,426  |

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

Movements on reserves are as set out in Note 19.

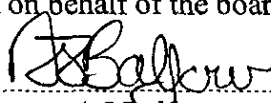
**LOCH DUART LIMITED**  
**ABBREVIATED BALANCE SHEET – 30 MARCH 2003**

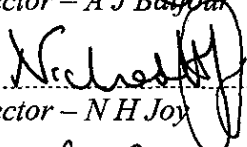
<sup>2</sup>  
**A + B**

|  | Note | 2003<br>£        | 2002<br>£          |
|--|------|------------------|--------------------|
| <b>FIXED ASSETS</b>  |      |                  |                    |
| Tangible assets  | 9    | 608,159          | 776,065            |
| Investments  | 10   | 5                | 5                  |
|  |      | <u>608,164</u>   | <u>776,070</u>     |
| <b>CURRENT ASSETS</b>  |      |                  |                    |
| Stocks   | 11   | 1,508,892        | 1,372,031          |
| Debtors  | 12   | 574,379          | 504,919            |
| Cash at bank and in hand                                       |      | 589              | 757                |
|  |      | <u>2,083,860</u> | <u>1,877,707</u>   |
| <b>CREDITORS: amounts falling due within one year</b>          | 13   | <u>1,603,232</u> | <u>1,348,563</u>   |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>480,628</u>   | <u>529,144</u>     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>1,088,792</u> | <u>1,305,214</u>   |
| <b>CREDITORS: amounts falling due after more than one year</b> | 14   | 79,982           | 154,484            |
| <b>PROVISION FOR LIABILITIES AND CHARGES</b>                   | 16   | 15,871           | 45,871             |
| <b>DEFERRED INCOME</b>   | 17   | 46,495           | 61,495             |
|  |      | <u>£ 946,444</u> | <u>£ 1,043,364</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                    |
| Called up share capital  | 18   | 166,666          | 166,666            |
| Share premium account  | 19   | 283,334          | 283,334            |
| Profit and loss account  | 19   | 496,444          | 593,364            |
| <b>SHAREHOLDERS' FUNDS</b>                                     | 19   | <u>£ 946,444</u> | <u>£ 1,043,364</u> |

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to medium sized companies.

Signed on behalf of the board of directors

  
 Director – A J Balfour

  
 Director – N H Joy

6-9-03

Date

**LOCH DUART LIMITED**  
**ABBREVIATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 MARCH 2003**

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

|  | Note | 2003<br>£         | 2002<br>£         |
|--|------|-------------------|-------------------|
| Cash inflow from operating activities          | 23   | 223,238           | 336,950           |
| Return on investments and servicing of finance | 24   | (79,775)          | (77,527)          |
| Taxation                                       |      | (32,066)          | (100,329)         |
| Capital expenditure                            | 24   | (17,064)          | (160,402)         |
| Cash inflow/(outflow) before financing         |      | 94,333            | (1,308)           |
| Equity dividends paid                          |      | -                 | (26,833)          |
| Financing – decrease in debt                   | 24   | (104,481)         | (62,903)          |
| <b>Decrease in cash in the year</b>            |      | <b>£ (10,148)</b> | <b>£ (91,044)</b> |

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

|  | Note | 2003<br>£          | 2002<br>£          |
|--|------|--------------------|--------------------|
| <b>Decrease in cash in the year</b>          |      | (10,148)           | (91,044)           |
| Cash outflow from decrease in debt           |      | 104,481            | 62,903             |
| Change in net debt resulting from cash flows |      | 94,333             | (28,141)           |
| New hire purchase                            |      | -                  | (61,284)           |
| <b>Movement in net debt in year</b>          |      | <b>94,333</b>      | <b>(89,425)</b>    |
| <b>Net debt at 30 March 2002</b>             | 25   | <b>(805,319)</b>   | <b>(715,894)</b>   |
| <b>Net debt at 30 March 2003</b>             | 25   | <b>£ (710,986)</b> | <b>£ (805,319)</b> |

## LOCH DUART LIMITED

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
A+B

### 1. ACCOUNTING POLICIES

#### (a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The company and its subsidiaries comprise a medium sized group and as such have not prepared consolidated accounts as exempted by Section 248 of the Companies Act 1985.

#### (b) *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 |

#### (c) *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.

#### (d) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

#### (e) *Leasing and hire purchase commitments*

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.

#### (f) *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.

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

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

## 1. ACCOUNTING POLICIES (continued)

(g) *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.

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

(h) *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. OPERATING COSTS

|   | 2003<br>£          | 2002<br>£          |
|---|--------------------|--------------------|
| Staff costs   | 164,028            | 210,158            |
| Depreciation - owned assets                             | 91,796             | 84,622             |
| - assets held under hire purchase<br>and finance leases | 93,174             | 81,400             |
| Other operating charges                                 | 706,242            | 765,359            |
|   | <u>£ 1,055,240</u> | <u>£ 1,141,539</u> |

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

|                            | 2003<br>£       | 2002<br>£      |
|----------------------------|-----------------|----------------|
| Government grants released | (15,000)        | (30,477)       |
| Auditors' remuneration     | 9,300           | 8,100          |
| Leasehold property rents   | <u>(11,177)</u> | <u>(8,333)</u> |

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B****4. STAFF COSTS AND NUMBERS**

|                       | 2003<br>£        | 2002<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 648,317          | 705,270          |
| Social security       | 61,652           | 62,047           |
| Pension contributions | 7,332            | 7,332            |
|                       | <u>£ 717,301</u> | <u>£ 774,649</u> |

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

|                | 2003 & 2002<br>No |
|----------------|-------------------|
| Management     | 8                 |
| Administration | 3                 |
| Operations     | 23                |
|                | <u>34</u>         |

**5. DIRECTORS' EMOLUMENTS**

|   | 2003<br>£        | 2002<br>£        |
|---|------------------|------------------|
| Emoluments (including benefits in kind) | 171,919          | 206,106          |
| Pension contributions                   | 7,332            | 7,332            |
|   | <u>£ 179,251</u> | <u>£ 213,438</u> |

The company contributed to a defined contribution pension scheme on behalf of one director (2002 - one).

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B****6. INTEREST PAYABLE AND SIMILAR CHARGES**

|  | 2003<br>£       | 2002<br>£       |
|--|-----------------|-----------------|
| Bank interest                            | 40,814          | 32,973          |
| Hire purchase and finance lease interest | 7,506           | 12,738          |
| Loan interest                            | 31,455          | 31,816          |
|  | <u>£ 79,775</u> | <u>£ 77,527</u> |

**7. TAXATION** *(credit)/charge based on the (loss)/profit for the year comprises:*

|   | 2003<br>£         | 2002<br>£       |
|---|-------------------|-----------------|
| UK corporation tax                              | (7,277)           | 27,774          |
| Transfer from deferred tax                      | (25,673)          | (7,164)         |
|   | <u>(32,950)</u>   | <u>20,610</u>   |
| Corporation tax under-provided in previous year | 4,277             | -               |
| Deferred tax over-provided in previous year     | (4,327)           | -               |
|   | <u>£ (33,000)</u> | <u>£ 20,610</u> |

The tax credit for the year differs from the amount which would be anticipated by applying the company's tax rate of 20% to its pre-tax losses as a result of a release from deferred tax being made at 30%.

**8. DIVIDENDS**

|  | 2003<br>£  | 2002<br>£       |
|--|------------|-----------------|
| Nil pence per ordinary share paid (2002 - 10½ pence)     | -          | 10,500          |
| Nil pence per "A" ordinary share paid (2002 - 10½ pence) | -          | 7,000           |
|  | <u>£ -</u> | <u>£ 17,500</u> |

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B****9. TANGIBLE FIXED ASSETS**

|                      | Land &<br>buildings<br>£ | Plant &<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£       |
|----------------------|--------------------------|---------------------------|------------------------|------------------|
| <b>COST</b>          |                          |                           |                        |                  |
| At 31 March 2002     | 331,498                  | 673,015                   | 70,897                 | 1,075,410        |
| Additions            | 3,863                    | 13,201                    | -                      | 17,064           |
| At 30 March 2003     | 335,361                  | 686,216                   | 70,897                 | 1,092,474        |
| <b>DEPRECIATION</b>  |                          |                           |                        |                  |
| At 31 March 2002     | 14,515                   | 268,824                   | 16,006                 | 299,345          |
| Charge for the year  | 6,293                    | 159,489                   | 19,188                 | 184,970          |
| At 30 March 2003     | 20,808                   | 428,313                   | 35,194                 | 484,315          |
| Net book amounts at: |                          |                           |                        |                  |
| 30 March 2003        | <u>£ 314,553</u>         | <u>£ 257,903</u>          | <u>£ 35,703</u>        | <u>£ 608,159</u> |
| 30 March 2002        | <u>£ 316,983</u>         | <u>£ 404,191</u>          | <u>£ 54,891</u>        | <u>£ 776,065</u> |

The net book amounts of plant & equipment and motor vehicles include amounts of £104,526 (2002 - £181,691) and £34,252 (2002 - £47,774) in respect of assets held under finance lease and hire purchase contracts.

**10. INVESTMENTS**

2003 &amp; 2002

|                            |            |
|----------------------------|------------|
| Investment in subsidiaries | <u>£ 5</u> |
|----------------------------|------------|

The subsidiary undertakings are:

**The Sustainable Salmon Company Limited**

*Country of incorporation:* Scotland

*Nature of business:* Dormant

*Proportion of shares held:* 100%

**The Sustainable Food Company Limited**

*Country of incorporation:* Scotland

*Nature of business:* Dormant

*Proportion of shares held:* 100%

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B****11. STOCKS**

|      | 2003<br>£          | 2002<br>£          |
|------|--------------------|--------------------|
| Fish | 1,473,861          | 1,335,290          |
| Feed | 35,031             | 36,741             |
|      | <u>£ 1,508,892</u> | <u>£ 1,372,031</u> |

**12. DEBTORS**

|                                | 2003<br>£        | 2002<br>£        |
|--------------------------------|------------------|------------------|
| Trade debtors                  | 425,595          | 330,547          |
| Other debtors                  | 8,000            | 18,912           |
| VAT repayable                  | 48,706           | 59,044           |
| Prepayments and accrued income | 84,801           | 96,416           |
| Corporation tax recoverable    | 7,277            | -                |
|                                | <u>£ 574,379</u> | <u>£ 504,919</u> |

**13. CREDITORS: *amounts falling due within one year***

|   | 2003<br>£          | 2002<br>£          |
|---|--------------------|--------------------|
| Bank overdraft (Note 21)  | 561,290            | 551,310            |
| Bank loans (Notes 15 and 21)                                    | 5,800              | 5,800              |
| Other loans (Note 21)   | -                  | 16,000             |
| Factor account  | 156,365            | -                  |
| Obligations under finance leases and<br>hire purchase contracts | 64,503             | 78,482             |
| Trade creditors   | 781,032            | 603,929            |
| Corporation tax   | -                  | 27,789             |
| Other taxation and social security                              | 18,486             | 18,408             |
| Accruals  | 15,756             | 46,845             |
|   | <u>£ 1,603,232</u> | <u>£ 1,348,563</u> |

**LOCH DUART LIMITED**  
**NOTES ON THE ACCOUNTS -- 30 MARCH 2003**

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

14. CREDITORS: *amounts falling due after more than one year*

|   | 2003<br>£       | 2002<br>£        |
|---|-----------------|------------------|
| Bank loan (Notes 15 and 21)                                     | 42,016          | 47,329           |
| Obligations under finance leases and<br>hire purchase contracts | 37,966          | 107,155          |
|   | <u>£ 79,982</u> | <u>£ 154,484</u> |

15. BANK LOAN

|  | 2003<br>£       | 2002<br>£       |
|--|-----------------|-----------------|
| Not wholly repayable within five years                             | 18,816          | 24,129          |
| Wholly repayable within five years                                 | 29,000          | 29,000          |
| Less: included in creditors amounts falling due<br>within one year | (5,800)         | (5,800)         |
|  | <u>£ 42,016</u> | <u>£ 47,329</u> |
| <i>Amounts repayable:</i>  |                 |                 |
| In one year or less  | 5,800           | 5,800           |
| Between one and two years  | 5,800           | 5,800           |
| Between two and five years   | 17,400          | 17,400          |
|  | <u>29,000</u>   | <u>29,000</u>   |
| In more than five years  | 18,816          | 24,129          |
|  | <u>£ 47,816</u> | <u>£ 53,129</u> |

The bank loan is repayable by monthly instalments ending in April 2011 bearing interest at 2% per annum above HSBC Bank plc base rate.

16. PROVISION FOR LIABILITIES AND CHARGES

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

|   | 2003            | 2002            |
|---|-----------------|-----------------|
| Capital allowances in advance of depreciation | <u>£ 15,871</u> | <u>£ 45,871</u> |

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A + B**
**17. DEFERRED INCOME**

|                                     | 2003<br>£       | Deferred grants<br>2002<br>£ |
|-------------------------------------|-----------------|------------------------------|
| At 31 March 2002                    | 61,495          | 58,884                       |
| Additions                           | -               | 21,088                       |
| Released to profit and loss account | (15,000)        | (18,477)                     |
| Balance at 30 March 2003            | <u>£ 46,495</u> | <u>£ 61,495</u>              |

**18. CALLED UP SHARE CAPITAL**

|  | 2003 & 2002<br>£ |
|--|------------------|
| <b>Authorised share capital:</b>               |                  |
| Ordinary shares of £1 each                     | 100,000          |
| "A" ordinary shares of £1 each                 | <u>66,666</u>    |
|  | <u>£ 166,666</u> |
| <br><b>Allotted, called up and fully paid:</b> |                  |
| Ordinary shares of £1 each                     | 100,000          |
| "A" ordinary shares of £1 each                 | <u>66,666</u>    |
|  | <u>£ 166,666</u> |

**19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

|                     | Share<br>capital<br>£ | Share<br>premium<br>£ | Profit and<br>loss account<br>£ | Total<br>£       |
|---------------------|-----------------------|-----------------------|---------------------------------|------------------|
| At 30 March 2001    | 166,666               | 283,334               | 509,938                         | 959,938          |
| Profit for the year | -                     | -                     | 100,926                         | 100,926          |
| Dividends           | -                     | -                     | (17,500)                        | (17,500)         |
| At 30 March 2002    | <u>166,666</u>        | <u>283,334</u>        | <u>593,364</u>                  | <u>1,043,364</u> |
| Loss for the year   | -                     | -                     | (96,920)                        | (96,920)         |
| At 30 March 2003    | <u>£ 166,666</u>      | <u>£ 283,334</u>      | <u>£ 496,444</u>                | <u>£ 946,444</u> |

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B****20. OTHER FINANCIAL COMMITMENTS**

At 30 March 2003 the company had annual commitments under non-cancellable operating leases as follows:

|                                       | <b>Land and buildings</b> |                 |                | <b>Other</b>   |
|---------------------------------------|---------------------------|-----------------|----------------|----------------|
|                                       | 2003                      | 2002            | 2003           | 2002           |
|                                       | £                         | £               | £              | £              |
| <i>Operating leases which expire:</i> |                           |                 |                |                |
| Within two to five years              | 38,686                    | 36,400          | 3,580          | 3,580          |
| In over five years                    | 18,607                    | 18,607          | -              | -              |
|                                       | <u>£ 57,293</u>           | <u>£ 55,007</u> | <u>£ 3,580</u> | <u>£ 3,580</u> |

**21. SECURITIES**

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

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 £35,000 included within deferred income.

Trouw (UK) Limited hold a floating charge over the assets of the company.

The securities are subject to a ranking agreement.

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B****22. RELATED PARTIES****Control**

Throughout the year the company was controlled by the directors. Details of the directors' interests in the share capital are set out in the directors' report.

**Transactions**

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

| <b>Related party</b>   | <b>Transaction</b>              | <b>£</b> | <b>Balance at<br/>year end<br/>£</b> |
|--|---------------------------------|----------|--------------------------------------|
| Scourie Estate, a joint<br>ownership between Dr Jean<br>Balfour and John Balfour | Rental of land<br>and buildings | 36,400   | -                                    |

**23. RECONCILIATION OF OPERATING (LOSS)/PROFIT  
NET CASH INFLOW FROM OPERATING ACTIVITIES**

|  | <b>2003<br/>£</b> | <b>2002<br/>£</b> |
|--|-------------------|-------------------|
| Operating (loss)/profit                          | (50,145)          | 199,063           |
| Loss on disposal of fixed assets                 | -                 | 658               |
| Depreciation                                     | 184,970           | 166,022           |
| (Increase)/decrease in stocks                    | (136,861)         | 101,276           |
| (Increase)/decrease in debtors                   | (62,183)          | 158,924           |
| Increase/(decrease) in creditors                 | 287,457           | (288,993)         |
| <b>Net cash inflow from operating activities</b> | <b>£ 223,238</b>  | <b>£ 336,950</b>  |

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2003

<sup>2</sup>  
**A+B**
**24. ANALYSIS OF CASH FLOWS FOR HEADINGS  
NETTED IN THE CASH FLOW STATEMENT**

|  | 2003<br>£          | 2002<br>£          |
|--|--------------------|--------------------|
| <b>Returns on investments and servicing of finance</b>                           |                    |                    |
| Interest paid  | (72,269)           | (64,789)           |
| Interest element of hire purchase payments                                       | (7,506)            | (12,738)           |
| <b>Net cash outflow from returns on investments<br/>and servicing of finance</b> | <u>£ (79,775)</u>  | <u>£ (77,527)</u>  |
| <b>Capital expenditure</b>   |                    |                    |
| Purchase of tangible fixed assets  | (17,064)           | (165,702)          |
| Sale of plant and machinery  | -                  | 5,300              |
| <b>Net cash outflow from capital expenditure</b>                                 | <u>£ (17,064)</u>  | <u>£ (160,402)</u> |
| <b>Financing</b>   |                    |                    |
| New short term loan  | -                  | 58,000             |
| Repayment of loans   | (21,313)           | (55,271)           |
| Capital element of finance lease rental payments                                 | (83,168)           | (65,632)           |
| <b>Net cash outflow from financing</b>   | <u>£ (104,481)</u> | <u>£ (62,903)</u>  |

**25. ANALYSIS OF NET DEBT**

|                          | At<br>30 March<br>2002<br>£ | Cash<br>flow<br>£ | Other<br>changes<br>£ | At<br>30 March<br>2003<br>£ |
|--------------------------|-----------------------------|-------------------|-----------------------|-----------------------------|
| Cash at bank and in hand | (550,553)                   | (10,148)          | -                     | (560,701)                   |
| Loans                    | (69,129)                    | 27,113            | (5,800)               | (47,816)                    |
| Hire purchase            | (185,637)                   | 83,168            | -                     | (102,469)                   |
|                          | <u>£ (805,319)</u>          | <u>£ 100,133</u>  | <u>£ (5,800)</u>      | <u>£ (710,986)</u>          |