Company Registration No. SC195923 (Scotland)

LOCH DUART LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

LOCH DUART LIMITED

COMPANY INFORMATION

Directors	Dr A Barbour	
	A Bing	
	A Denton	
	J Goerke	
	N Joy	
	S Maguire	
	I Laird	(Appointed 22 November 2017)
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 2018

The directors present the strategic report and financial statements for the year ended 31 March 2018.

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 8 and the directors are delighted to report a profit for the year of £2,601,310. The performance arises from the company's commitment to innovate and improve farming methods which, in return, improve fish welfare and environmental sustainability. In comparison to the prior year, the profit is lower, but that prior year was the result of a set of exceptional circumstances from which the company was well placed to benefit. Although the company's priorities seek to place it in the position to take advantage of such a situation should it recur, the year to March 2018 produced a level of profitability closer to the sustainable normal range of potential.

Since the year end the company has continued to trade profitably.

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.

During the year the company diverted and dedicated very significant capital and operating expenditure to investing in the prevention and tackling of potential environmental and fish health concerns. Shareholders have again supported the approach of putting investment ahead of dividends and so the company has been able to prioritise our investment in equipment, processes and people to identify and install novel and exciting technologies to ensure that Loch Duart retain and build on its industry leading performance in fish welfare and sustainable environmental management.

The year saw the continuation of the high prices noted in the prior year. During the year, the increasing prevalence of gill health challenges affected the company's fish with poorer biological performance than would be considered normal. The prices achieved allowed a creditable result to be delivered, but has left the company with some work to do to repeat the harvest volume in the following year. The directors do, however, have confidence that volumes produced will allow a profitable next year.

As a result of the two profitable years, the company repaid £600,000 of convertible loan notes. Those loan notes were interest free, yet, due to the requirements of FRS 102, the profit for the year bears the impact of a contrived interest calculation and a reversal upon redemption. The position is outlined in note 17. The loan notes were repaid without any interest being paid or payable over their term.

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 remained steady at £42.4M from £42.5M in 2017 and profit for the year is £2.6M against a profit in 2017 of £8.2M. 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.

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 ongoing 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
S Maguire
Director
18 SEPTEMBER 2018

LOCH DUART LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

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 Bing	
A Denton	
J Goerke	
N Joy	
S Maguire	
A Williamson	(Resigned 31 October 2017)
I Laird	(Appointed 22 November 2017)

Results and dividends

The results for the year are set out on page 8.

No ordinary or preference dividends were paid or proposed.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 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 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

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S Maguire

Director

Date: 18 SEPTEMBER 2018

LOCH DUART LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOCH DUART LIMITED

Opinion

We have audited the financial statements of Loch Duart Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise Group Profit and Loss Account, Group Statement of Comprehensive Income, Group Balance Sheet, Company Balance Sheet, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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.

Matters on which we are required to report by exception

In the light of our 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 in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report
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.

Johnston Carmichael LLP

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

19 September 2018

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 2018

	Notes	2018 £	2017 £
Turnover	3	42,381,072	42,503,291
Cost of sales		(33,196,265)	(28,406,617)
Gross profit		9,184,807	14,096,674
Administrative expenses		(5,687,752)	(5,487,988)
Other operating income		183,499	212,679
Profit/(loss) on disposal of assets		-	(2,455)
Operating profit	4	3,680,554	8,818,910
Interest payable and similar expenses	8	(467,533)	(342,850)
Profit before taxation		3,213,021	8,476,060
Tax on profit	9	(611,711)	(309,350)
Profit for the financial year	25	2,601,310	8,166,710

Profit 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 2018

	2018	2017
	£	£
Profit for the year	2,601,310	8,166,710
Other comprehensive income	-	-
Total comprehensive income for the year	2,601,310	8,166,710

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 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	11		1,649,427		1,649,427
Tangible assets	12		9,340,866		6,423,644
			10,990,293		8,073,071
Current assets					
Stocks	15	8,977,943		11,066,952	
Debtors	16	2,955,909		5,527,478	
Cash at bank and in hand		4,062,920		1,990,730	
		15,996,772		18,585,160	
Creditors: amounts falling due within one year	18	(5,651,084)		(7,312,037)	
Net current assets			10,345,688		11,273,123
Total assets less current liabilities			21,335,981		19,346,194
Creditors: amounts falling due after more than one year	19		(2,480,615)		(3,160,626)
Provisions for liabilities	21		(124,733)		(63,751)
Net assets			18,730,633		16,121,817
Capital and reserves					
Called up share capital	24		513,971		513,613
Share premium account	25		4,274,918		4,274,918
Revaluation reserve	25		665,513		665,513
Capital redemption reserve	25		4,631,190		4,631,190
Other reserves	25		1,136,190		1,451,126
Profit and loss reserves	25		7,508,851		4,585,457
Total equity			18,730,633		16,121,817

The financial statements were approved by the board of directors and authorised for issue on 14 SEPTEMBER 2018 and are signed on its behalf by:

S Maguire

S Maguire
Director

LOCH DUART LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		1,649,427		1,649,427
Tangible assets	12		9,340,866		6,423,644
Investments	13		21		21
			10,990,314		8,073,092
Current assets					
Stocks	15	8,977,943		11,066,952	
Debtors	16	2,955,728		5,524,269	
Cash at bank and in hand		4,060,612		1,974,490	
		15,994,283		18,565,711	
Creditors: amounts falling due within one year	18	(5,663,967)		(7,345,715)	
Net current assets			10,330,316		11,219,996
Total assets less current liabilities			21,320,630		19,293,088
Creditors: amounts falling due after more than one year	19		(2,436,588)		(3,083,279)
Provisions for liabilities	21		(124,733)		(63,751)
Net assets			18,759,309		16,146,058
Capital and reserves					
Called up share capital	24		513,971		513,613
Share premium account	25		4,274,918		4,274,918
Revaluation reserve	25		665,513		665,513
Capital redemption reserve	25		4,631,190		4,631,190
Other reserves	25		1,541,267		1,863,351
Profit and loss reserves	25		7,132,450		4,197,473
Total equity			18,759,309		16,146,058

LOCH DUART LIMITED

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2018

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 £2,612,893 (2017 - £8,171,981 profit).

The financial statements were approved by the board of directors and authorised for issue on 14 SEPTEMBER 2018 and are signed on its behalf by:

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S Maguire
Director

Company Registration No. SC195923

LOCH DUART LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital	Share premium account	Revaluation reserve	Hedging reserve	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£	£	£	£
Balance at 1 April 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
Year ended 31 March 2018:									
Profit and total comprehensive income for the year		-	-	-	-	-	-	2,601,310	2,601,310
Issue of share capital	**24**	358	-	-	-	-	-	-	358
Foreign currency exchange movements		-	-	-	-	-	7,148		-
Transfers		-	-	-	-	-	(322,084)	322,084	-
Balance at 31 March 2018		513,971	4,274,918	665,513	-	4,631,190	1,136,190	7,508,851	18,730,633

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital	Share premium account	Revaluation reserve	Hedging reserve	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£	£	£	£
Balance at 1 April 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
Year ended 31 March 2018:									
Profit and total comprehensive income for the year		-	-	-	-	-	-	2,612,893	2,612,893
Issue of share capital	**24**	358	-	-	-	-	-	-	358
Transfers		-	-	-	-	-	(322,084)	322,084	-
Balance at 31 March 2018		513,971	4,274,918	665,513	-	4,631,190	1,541,267	7,132,450	18,759,309

LOCH DUART LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	**29**		9,464,007		7,599,240
Interest paid			(51,358)		(196,478)
Income taxes (paid)/refunded			(417,198)		126,608
Net cash inflow from operating activities			8,995,451		7,529,370
Investing activities					
Purchase of intangible assets		(550,000)		-	
Purchase of tangible fixed assets		(4,612,705)		(2,884,430)	
Proceeds on disposal of tangible fixed assets		47,080		108,158	
Net cash used in investing activities			(5,115,625)		(2,776,272)
Financing activities					
Redemption of shares		-		300,000	
Repayment of debentures		(78,533)		(2,420,770)	
Repayment of borrowings		(621,675)		(1,243,432)	
Payment of finance leases obligations		(402,061)		(407,072)	
Net cash used in financing activities			(1,102,269)		(3,771,274)
Net increase in cash and cash equivalents			2,777,557		981,824
Cash and cash equivalents at beginning of year			1,280,898		299,074
Cash and cash equivalents at end of year			4,058,455		1,280,898
Relating to:					
Cash at bank and in hand			4,062,920		1,990,730
Bank overdrafts included in creditors payable within one year			(4,465)		(709,832)

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 2018. 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.

1 Accounting policies **(Continued)**

1.3 Going concern

The Group made a profit for the year of £2.6M following profit of £8.2M made in the prior year. The prior year was an exceptional year and the result in the current year represents a return to a more normal performance.

Since the year end, the Group renewed its banking facilities to April 2019. This, coupled with the better than expected results for the year, leaves the Group in a stronger financial position than it has been before.

The Group has prepared cash flow projections to March 2020. 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 and continued creditable fish and financial performance.

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 then 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 - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years. Provision is made for any impairment when identified.

1.6 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:

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.

1.7 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.

1.8 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.

1.9 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.

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.

1.10 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.

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.

1.11 Cash at bank and in hand

Cash at bank and in hand 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.

1.12 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.

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.

1.13 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.

1 Accounting policies **(Continued)**

1.14 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.

1.15 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 regardsd as more likely than not they will be recovered. The deferred tax asset and/or liability balance has not been discounted.

1 Accounting policies **(Continued)**

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

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 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:

	2018	2017
	£	£
Turnover analysed by class of business		
Sale of goods	42,381,072	42,503,291

3 Turnover and other revenue **(Continued)**

	2018	2017
	£	£
Other significant revenue		
Grants received	171,667	191,151

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

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	-	(31,568)
Government grants	(171,667)	(191,151)
Depreciation of owned tangible fixed assets	1,238,113	1,236,227
Depreciation of tangible fixed assets held under finance leases	190,645	156,266
Impairment of owned tangible fixed assets	-	(3,678)
Profit on disposal of tangible fixed assets	(30,445)	(31,250)
Cost of stocks recognised as an expense	31,710,012	26,660,590
Operating lease charges	294,205	396,646

£250,090 of depreciation charged in the year is included in the year end stock valuation (2017: £312,991).

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £0 (2017 - £31,568).

5 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	24,000	28,750
For other services		
Taxation compliance services	2,950	6,950
Other taxation services	2,750	18,990
	5,700	25,940

6 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Management	6	6	6	6
Administration	15	14	15	14
Operations	95	89	95	89
	116	109	116	109

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	4,074,383	3,740,206	4,074,383	3,740,206
Social security costs	389,846	285,616	389,846	285,616
Pension costs	82,126	60,275	82,126	60,275
	4,546,355	4,086,097	4,546,355	4,086,097

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	540,182	604,619
Company pension contributions to defined contribution schemes	15,799	20,580
	555,981	625,199

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

	2018 £	2017 £
Remuneration for qualifying services	208,671	198,539

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	2,293	120,870
Interest on convertible loan notes	416,175	146,372
Interest on finance leases and hire purchase contracts	49,065	75,608
Total finance costs	467,533	342,850

9 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	655,825	417,480
Adjustments in respect of prior periods	(105,096)	(126,608)
Total current tax	550,729	290,872
Deferred tax		
Origination and reversal of timing differences	60,982	20,993
Changes in tax rates	-	(2,515)
Total deferred tax	60,982	18,478
Total tax charge for the year	611,711	309,350

9 Taxation (Continued)

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:

	2018	2017
	£	£
Profit before taxation	3,213,021	8,476,060
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	610,474	1,695,212
Tax effect of expenses that are not deductible in determining taxable profit	84,077	42,491
Adjustments in respect of prior years	(105,096)	(126,608)
Effect of change in corporation tax rate	-	(139,452)
Deferred tax adjustments in respect of prior years	12,156	-
Timing differences not recognised	15,845	36,799
Utilisation of losses brought forward	-	(1,199,092)
Effect of change in deferred tax rates	(5,745)	-
Taxation charge for the year	611,711	309,350

10 Impairments

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

	2018	2017
	£	£
In respect of:		
Property, plant and equipment	-	(3,678)
Recognised in:		
Administrative expenses	-	(3,678)

11 Intangible fixed assets

Group	Goodwill	Sea sites	Total
	£	£	£
Cost			
At 1 April 2017 and 31 March 2018	223,755	2,795,251	3,019,006
Amortisation and impairment			
At 1 April 2017 and 31 March 2018	223,755	1,145,824	1,369,579
Carrying amount			
At 31 March 2018	-	1,649,427	1,649,427
At 31 March 2017	-	1,649,427	1,649,427

Company	Goodwill	Sea sites	Total
	£	£	£
Cost			
At 1 April 2017 and 31 March 2018	223,755	1,771,496	1,995,251
Amortisation and impairment			
At 1 April 2017 and 31 March 2018	223,755	122,069	345,824
Carrying amount			
At 31 March 2018	-	1,649,427	1,649,427
At 31 March 2017	-	1,649,427	1,649,427

12 Tangible fixed assets

Group	Land and buildings freehold	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 April 2017	1,750,504	14,046,754	843,870	16,641,128
Additions	117,500	4,364,893	130,312	4,612,705
Disposals	-	(17,960)	(146,518)	(164,478)
Exchange adjustments	(27,847)	(81,558)	(1,709)	(111,114)
At 31 March 2018	1,840,157	18,312,129	825,955	20,978,241
Depreciation and impairment				
At 1 April 2017	508,690	9,365,763	343,031	10,217,484
Depreciation charged in the year	83,396	1,439,169	156,283	1,678,848
Eliminated in respect of disposals	-	(17,960)	(129,883)	(147,843)
Exchange adjustments	(27,847)	(81,558)	(1,709)	(111,114)
At 31 March 2018	564,239	10,705,414	367,722	11,637,375
Carrying amount				
At 31 March 2018	1,275,918	7,606,715	458,233	9,340,866
At 31 March 2017	1,241,814	4,680,991	500,839	6,423,644

Company	Land and buildings freehold	Plant and machinery	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 April 2017	1,412,003	13,055,711	823,097	15,290,811
Additions	117,500	4,364,893	130,312	4,612,705
Disposals	-	(17,960)	(146,518)	(164,478)
At 31 March 2018	1,529,503	17,402,644	806,891	19,739,038
Depreciation and impairment				
At 1 April 2017	170,189	8,374,720	322,258	8,867,167
Depreciation charged in the year	83,396	1,439,169	156,283	1,678,848
Eliminated in respect of disposals	-	(17,960)	(129,883)	(147,843)
At 31 March 2018	253,585	9,795,929	348,658	10,398,172
Carrying amount				
At 31 March 2018	1,275,918	7,606,715	458,233	9,340,866
At 31 March 2017	1,241,814	4,680,991	500,839	6,423,644

12 Tangible fixed assets **(Continued)**

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

	Group 2018 £	2017 £	Company 2018 £	2017 £
Plant and machinery	454,914	685,404	454,914	685,404
Motor vehicles	21,810	43,502	21,810	43,502
	476,724	728,906	476,724	728,906
Depreciation charge for the year in respect of leased assets	190,645	156,266	190,645	156,266

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.

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 2018 £	2017 £	Company 2018 £	2017 £
Cost	879,019	879,019	879,019	879,019
Accumulated depreciation	(197,706)	(180,126)	(197,706)	(180,126)
Carrying value	681,313	698,893	681,313	698,893

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

13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	14	-	-	21	21

13 Fixed asset investments **(Continued)**

Movements in fixed asset investments
Company

	Shares in group undertakings
	£
Cost or valuation	
At 1 April 2017 and 31 March 2018	21
Carrying amount	
At 31 March 2018	21
At 31 March 2017	21

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2018 are as follows:

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

* Investment held directly by Snow Island Salmon Inc

15 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	389,231	436,706	389,231	436,706
Finished goods and goods for resale	8,588,712	10,630,246	8,588,712	10,630,246
	8,977,943	11,066,952	8,977,943	11,066,952

Reconciliation of fish stocks

Opening fish stocks at 1 April 2017	10,630,246
Purchases and capitalisation of costs	17,983,830
Decreases due to harvests	(14,948,281)
Decreases due to other changes	(5,077,083)
Closing fish stocks at 31 March 2018	8,588,712

16 Debtors

Amounts falling due within one year:	Group 2018 £	2017 £	Company 2018 £	2017 £
Trade debtors	2,170,977	4,188,645	2,170,977	4,188,645
Other debtors	433,683	443,592	433,502	440,383
Prepayments and accrued income	351,249	895,241	351,249	895,241
	2,955,909	5,527,478	2,955,728	5,524,269

17 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Debenture loans	-	78,533	-	78,533
Bank overdrafts	4,465	709,832	4,465	709,832
Other loans	1,626,628	1,832,128	1,570,375	1,754,200
	1,631,093	2,620,493	1,574,840	2,542,565
Payable within one year	16,691	788,946	4,465	788,365
Payable after one year	1,614,402	1,831,547	1,570,375	1,754,200

17 Loans and overdrafts **(Continued)**

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 were therefore included within Other loans at their fair value of £1,509,083 in prior year.

During the year £600,000 of loan notes were repaid. Therefore the loan value has been reduced accordingly and the amount taken to equity has been released through reserves. These loan notes were interest free and were repaid without any interest being paid or payable over their term. The profit for the year bears the impact of the effective interest calculation and a reversal upon redemption.

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 Norge AS 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.

18 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Debenture loans	17	-	78,533	-	78,533
Bank loans and overdrafts	17	4,465	709,832	4,465	709,832
Obligations under finance leases	20	371,228	408,014	371,228	408,014
Other borrowings	17	12,226	581	-	-
Trade creditors		3,547,207	3,744,595	3,547,207	3,744,595
Amounts due to undertakings in which the group has a participating interest		-	-	25,662	42,564
Corporation tax payable		551,011	417,480	551,011	417,480
Other taxation and social security		98,791	93,590	98,791	85,888
Accruals and deferred income		1,066,156	1,859,412	1,065,603	1,858,809
		5,651,084	7,312,037	5,663,967	7,345,715

19 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Obligations under finance leases	20	209,846	575,031	209,846	575,031
Other borrowings	17	1,614,402	1,831,547	1,570,375	1,754,200
Deferred income	22	656,367	754,048	656,367	754,048
		2,480,615	3,160,626	2,436,588	3,083,279

20 Finance lease obligations

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	371,228	408,014	371,228	408,014
In two to five years	209,846	575,031	209,846	575,031
	581,074	983,045	581,074	983,045

21 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	Liabilities
	2018	2017
Group	£	£
Accelerated capital allowances	124,733	63,751

	Liabilities	Liabilities
	2018	2017
Company	£	£
Accelerated capital allowances	124,733	63,751

21 Deferred taxation **(Continued)**

Movements in the year:	**Group 2018 £**	**Company 2018 £**
Liability at 1 April 2017	63,751	63,751
Charge to profit or loss	60,982	-
Liability at 31 March 2018	124,733	63,751

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.

22 Deferred income

	Group 2018 £	**2017 £**	**Company 2018 £**	**2017 £**
Arising from Government Grants	656,367	754,048	656,367	754,048

Capital expenditure grants of £nil (2017: £300,000) were received during the year.

23 Retirement benefit schemes

Defined contribution schemes	**2018 £**	**2017 £**
Charge to profit or loss in respect of defined contribution schemes	39,248	38,718

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 Share capital

	Group and company	
	2018	2017
Ordinary share capital	£	£
Issued and fully paid		
103,646 Ordinary A shares of £1 each	103,646	103,646
358,233 Ordinary B shares of £0.001 each	358	-
	104,004	103,646
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
	409,967	409,967

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 deemed price of the preference shares, as set out in the Articles of Association, 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.

During the year 358,233 Ordinary B shares were issued at par value of £0.001 per share. The Ordinary B shares carry the same voting, dividend and capital distribution rights as the Ordinary A shares.

25 Reserves

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

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.

26 Related party transactions

Transactions with related parties

During the year, the company rented land and buildings for £53,900 (2017: £53,900) from Scourie Estate which is jointly owned by a former director and shareholder, and other members of his family.

The company incurred interest of £nil (2017: £1,560) in respect of a loan from C Balfour, the wife of a former director.

Alban Denton is a director of two trade bodies, Scottish Quality Salmon Limited and Scottish Salmon Producers Organisation Limited, as the company's representative in those two bodies. The company pays volume related levies to those industry bodies, as does every other member. The company had no other transactions with Scottish Quality Salmon Limited and Scottish Salmon Producers Organisation Limited beyond membership levies. The amounts paid in the year were £80,527 (2017: £124,333). Included in creditors at the year end is an amount of £3,000 (2017: £9,447) due to these 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 2018 £	2017 £	Company 2018 £	2017 £
Within one year	149,934	273,064	149,934	273,064
Between two and five years	371,152	712,988	371,152	712,988
In over five years	138,750	111,000	138,750	111,000
	659,836	1,097,052	659,836	1,097,052

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Acquisition of tangible fixed assets	588,450	517,354	588,450	517,354

29 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	2,601,310	8,166,710
Adjustments for:		
Taxation charged	611,711	309,350
Finance costs	467,533	342,850
(Gain)/loss on disposal of tangible fixed assets	(30,445)	31,250
(Gain)/loss on disposal of intangible assets	-	33,705
Depreciation and impairment of tangible fixed assets	1,678,848	1,701,806
Grant provision	-	(300,000)
Movements in working capital:		
Decrease/(increase) in stocks	2,089,009	(2,275,244)
Decrease/(increase) in debtors	2,571,569	(1,272,356)
(Decrease)/increase in creditors	(427,847)	752,320
(Decrease)/increase in deferred income	(97,681)	108,849
Cash generated from operations	9,464,007	7,599,240