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**A<sup>2</sup>+B<sup>®</sup>**

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

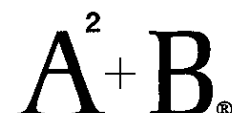
**DIRECTORS' REPORT AND ABBREVIATED ACCOUNTS**

**30 MARCH 2004**



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

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



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

Secretary: A J Balfour

Registered office: 15 Atholl Crescent, Edinburgh

The directors submit their report and the abbreviated accounts of the company for the year ended 30 March 2004.

**RESULTS AND DIVIDENDS**

The profit for the year, amounting to £134,317 (2003 – loss £96,920), has been dealt with as shown in the profit and loss account. No dividends were paid during the year (2003 - £nil).

**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.

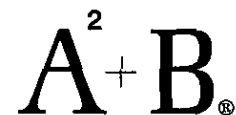
According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company throughout the year were as follows:

	Ordinary shares of £1 each 2004 & 2003	"A" Ordinary shares of £1 each 2004 & 2003
Dr E J Balfour	-	38,094
A J Balfour	33,333	19,970
A J C Bing	33,334	834
N H Joy	33,333	834

**POST BALANCE SHEET EVENTS**

On 26 April 2004 the company acquired 100% of the ordinary share capital of Drumbeg Salmon Limited.

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



**AUDITORS**

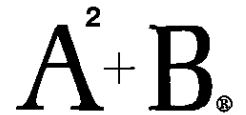
Anderson Anderson & Brown have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

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

Secretary

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



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

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether or not applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO 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 2004.

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 2004 and the abbreviated accounts on pages 5 to 18 have been properly prepared in accordance therewith.



Anderson Anderson & Brown  
Chartered Accountants  
Registered Auditors  
Aberdeen

2 September 2004

**LOCH DUART LIMITED**  
**ABBREVIATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 MARCH 2004**

**A<sup>2</sup>+B<sup>®</sup>**

	Note	2004 £	2003 £
GROSS PROFIT		1,459,203	1,005,095
Operating costs	2	<u>1,231,390</u>	<u>1,055,240</u>
NET OPERATING PROFIT/(LOSS)	3	227,813	(50,145)
Interest payable and similar charges	6	<u>61,496</u>	<u>79,775</u>
PROFIT/(LOSS) BEFORE TAXATION		166,317	(129,920)
Taxation	7	<u>32,000</u>	<u>(33,000)</u>
RETAINED PROFIT/(ACCUMULATED LOSS)		<u>£ 134,317</u>	<u>£ (96,920)</u>

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

Movements on reserves are as set out in Note 18.

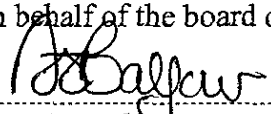
**LOCH DUART LIMITED**  
**ABBREVIATED BALANCE SHEET – 30 MARCH 2004**

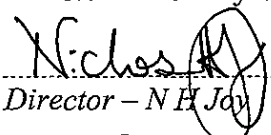
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	Note	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	568,503	608,159
Investments	9	5	5
		<u>568,508</u>	<u>608,164</u>
<b>CURRENT ASSETS</b>			
Stocks	10	1,527,117	1,508,892
Debtors	11	666,175	574,379
Cash at bank and in hand		1,621	589
		<u>2,194,913</u>	<u>2,083,860</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>1,583,359</u>	<u>1,603,232</u>
<b>NET CURRENT ASSETS</b>		<u>611,554</u>	<u>480,628</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,180,062</u>	<u>1,088,792</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	54,574	79,982
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	15	14,727	15,871
<b>DEFERRED INCOME</b>	16	30,000	46,495
		<u>£ 1,080,761</u>	<u>£ 946,444</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	166,666	166,666
Share premium account	18	283,334	283,334
Profit and loss account	18	630,761	496,444
<b>SHAREHOLDERS' FUNDS</b>	18	<u>£ 1,080,761</u>	<u>£ 946,444</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 Jay

2-9-04

Date

**LOCH DUART LIMITED**  
**ABBREVIATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 MARCH 2004**

**A<sup>2</sup> + B<sup>®</sup>**

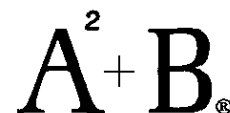
	Note	2004 £	2003 £
Cash inflow from operating activities	23	143,384	223,238
Return on investments and servicing of finance	24	(61,496)	(79,775)
Taxation		7,814	(32,066)
Capital expenditure	24	(90,491)	(17,064)
Cash (outflow)/inflow before financing		(789)	94,333
Financing – decrease in debt	24	(78,045)	(104,481)
<b>Decrease in cash in the year</b>		<b>£ (78,834)</b>	<b>£ (10,148)</b>

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

	Note	2004 £	2003 £
<b>Decrease in cash in the year</b>		(78,834)	(10,148)
Cash outflow from decrease in debt		78,045	104,481
Change in net debt resulting from cash flows		(789)	94,333
New hire purchase		(38,975)	-
<b>Movement in net debt in year</b>		<b>(39,764)</b>	<b>94,333</b>
<b>Net debt at 30 March 2003</b>	25	<b>(710,986)</b>	<b>(805,319)</b>
<b>Net debt at 30 March 2004</b>	25	<b>£ (750,750)</b>	<b>£ (710,986)</b>

## LOCH DUART LIMITED

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004



### 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 exempt 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.

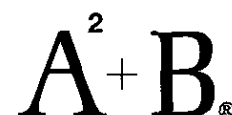
Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

#### (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 2004



## 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

	2004 £	2003 £
Staff costs	192,614	164,028
Depreciation - owned assets	96,048	91,796
- assets held under hire purchase and finance leases	74,841	93,174
Other operating charges	867,887	706,242
	<u>£ 1,231,390</u>	<u>£ 1,055,240</u>

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

	2004 £	2003 £
Government grants released	(16,495)	(15,000)
Auditors' remuneration	9,300	9,300
Leasehold property rents	(8,858)	(11,177)
	<u></u>	<u></u>

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

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

	2004 £	2003 £
Wages and salaries	700,619	648,317
Social security	66,439	61,652
Pension contributions	7,332	7,332
	<u>£ 774,390</u>	<u>£ 717,301</u>

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

	2004 & 2003 No
Management	8
Administration	3
Operations	23
	<u>34</u>

**5. DIRECTORS' EMOLUMENTS**

	2004 £	2003 £
Emoluments (including benefits in kind)	176,487	171,919
Pension contributions	7,332	7,332
	<u>£ 183,819</u>	<u>£ 179,251</u>

The company contributed to a defined contribution pension scheme on behalf of one director (2003 - one).

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

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

	2004 £	2003 £
Bank interest	38,080	40,814
Hire purchase and finance lease interest	12,389	7,506
Loan interest	11,027	31,455
	<u>£ 61,496</u>	<u>£ 79,775</u>

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

	2004 £	2003 £
UK corporation tax	33,681	(7,277)
Transfer from deferred tax	(1,264)	(25,673)
	<u>32,417</u>	<u>(32,950)</u>
Corporation tax (over-provided)/under-provided in previous year	(537)	4,277
Deferred tax under-provided/(over-provided) in previous year	120	(4,327)
	<u>£ 32,000</u>	<u>£ (33,000)</u>

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

**A<sup>2</sup>+B<sup>®</sup>****8. TANGIBLE FIXED ASSETS**

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
<b>COST</b>				
At 31 March 2003	335,361	686,216	70,897	1,092,474
Additions	-	115,891	23,075	138,966
Disposals	-	-	(20,620)	(20,620)
At 30 March 2004	335,361	802,107	73,352	1,210,820
<b>DEPRECIATION</b>				
At 31 March 2003	20,808	428,313	35,194	484,315
Charge for the year	7,006	145,645	18,238	170,889
Relating to disposals	-	-	(12,887)	(12,887)
At 30 March 2004	27,814	573,958	40,545	642,317
Net book amounts at:				
30 March 2004	<u>£ 307,547</u>	<u>£ 228,149</u>	<u>£ 32,807</u>	<u>£ 568,503</u>
30 March 2003	<u>£ 314,553</u>	<u>£ 257,903</u>	<u>£ 35,703</u>	<u>£ 608,159</u>

The net book amounts of plant and equipment and motor vehicles include amounts of £60,972 (2003 - £104,526) and £28,728 (2003 - £34,252) in respect of assets held under finance lease and hire purchase contracts.

**9. INVESTMENTS**

2004 &amp; 2003

Investment in subsidiaries	<u>£ 5</u>
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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**

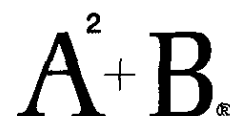
*Country of incorporation:* Scotland

*Nature of business:* Dormant

*Proportion of shares held:* 100%

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004



## 10. STOCKS

	2004 £	2003 £
Fish	1,499,774	1,473,861
Feed	27,343	35,031
	<u>£ 1,527,117</u>	<u>£ 1,508,892</u>

## 11. DEBTORS

	2004 £	2003 £
Trade debtors	509,708	425,595
Other debtors	-	8,000
Debt factoring account	7,978	-
VAT repayable	68,026	48,706
Prepayments and accrued income	80,463	84,801
Corporation tax recoverable	-	7,277
	<u>£ 666,175</u>	<u>£ 574,379</u>

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

	2004 £	2003 £
Bank overdraft (Note 21)	521,756	561,290
Bank loan (Notes 14 and 21)	5,800	5,800
Debt factoring account	-	156,365
Obligations under finance leases and hire purchase contracts	50,841	64,503
Trade creditors	920,722	781,032
Corporation tax	33,681	-
Other taxation and social security	20,204	18,486
Accruals	30,355	15,756
	<u>£ 1,583,359</u>	<u>£ 1,603,232</u>

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

**A<sup>2</sup>+B<sup>®</sup>**13. CREDITORS: *amounts falling due after more than one year*

	2004 £	2003 £
Bank loan (Notes 14 and 21)	36,429	42,016
Obligations under finance leases and hire purchase contracts	18,145	37,966
	<u>£ 54,574</u>	<u>£ 79,982</u>

## 14. BANK LOAN

	2004 £	2003 £
Not wholly repayable within five years	13,229	18,816
Wholly repayable within five years	29,000	29,000
Less: included in creditors amounts falling due within one year	(5,800)	(5,800)
	<u>£ 36,429</u>	<u>£ 42,016</u>

*Amounts repayable:*

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	13,229	18,816
	<u>£ 42,229</u>	<u>£ 47,816</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.

## 15. PROVISION FOR LIABILITIES AND CHARGES

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

	2004	2003
Capital allowances in advance of depreciation	<u>£ 14,727</u>	<u>£ 15,871</u>

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

**A<sup>2</sup>+B<sup>®</sup>**

## 16. DEFERRED INCOME

	<b>Deferred grants</b>	
	2004	2003
	£	£
At 31 March 2003	46,495	61,495
Released to profit and loss account	(16,495)	(15,000)
Balance at 30 March 2004	<u>£ 30,000</u>	<u>£ 46,495</u>

## 17. CALLED UP SHARE CAPITAL

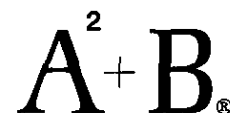
	2004 & 2003
	£
<b>Authorised share capital:</b>	
Ordinary shares of £1 each	100,000
“A” ordinary shares of £1 each	66,666
	<u>£ 166,666</u>
<b>Allotted, called up and fully paid:</b>	
Ordinary shares of £1 each	100,000
“A” ordinary shares of £1 each	66,666
	<u>£ 166,666</u>

18. RECONCILIATION OF SHAREHOLDERS' FUNDS  
AND MOVEMENTS ON RESERVES

	Share capital £	Share premium £	Profit and loss account £	Total £
At 30 March 2002	166,666	283,334	593,364	1,043,364
Loss for the year	-	-	(96,920)	(96,920)
At 30 March 2003	166,666	283,334	496,444	946,444
Profit for the year	-	-	134,317	134,317
At 30 March 2004	<u>£ 166,666</u>	<u>£ 283,334</u>	<u>£ 630,761</u>	<u>£ 1,080,761</u>

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

**19. OTHER FINANCIAL COMMITMENTS**

At 30 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>			<b>Other</b>
	2004	2003	2004	2003
	£	£	£	£
<i>Operating leases which expire:</i>				
Within two to five years	38,686	38,686	3,580	3,580
In over five years	18,607	18,607	-	-
	<u>£57,293</u>	<u>£ 57,293</u>	<u>£ 3,580</u>	<u>£ 3,580</u>

**20. POST BALANCE SHEET EVENTS**

On 26 April 2004 the company acquired 100% of the ordinary share capital of Drumbeg Salmon Limited.

**21. SECURITIES**

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

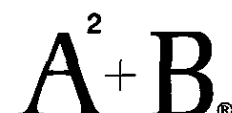
The various properties owned by the company are subject to a standard security in favour of HSBC Bank plc.

Gerald Cavendish, Sixth Duke of Westminster, holds a floating charge over the assets of the company in respect of an amount of £30,000 included within deferred income.

The securities are subject to a ranking agreement.

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

**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 year end £</b>
Scourie Estate, a joint ownership between Dr Jean Balfour and John Balfour	Rental of land and buildings	36,400	9,100

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

	<b>2004 £</b>	<b>2003 £</b>
Operating profit/(loss)	227,813	(50,145)
Profit on disposal of fixed assets	(1,767)	-
Depreciation	170,889	184,970
Increase in stocks	(18,225)	(136,861)
Increase in debtors	(91,095)	(62,183)
(Decrease)/increase in creditors	(144,231)	287,457
<b>Net cash inflow from operating activities</b>	<b>£ 143,384</b>	<b>£ 223,238</b>

**LOCH DUART LIMITED**

NOTES ON THE ABBREVIATED ACCOUNTS – 30 MARCH 2004

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

	2004 £	2003 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(49,107)	(72,269)
Interest element of hire purchase payments	(12,389)	(7,506)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>£ (61,496)</b>	<b>£ (79,775)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(99,991)	(17,064)
Sale of motor vehicle	9,500	-
<b>Net cash outflow from capital expenditure</b>	<b>£(90,491)</b>	<b>£ (17,064)</b>
<b>Financing</b>		
Repayment of loans	(5,587)	(21,313)
Capital element of finance lease rental payments	(72,458)	(83,168)
<b>Net cash outflow from financing</b>	<b>£ (78,045)</b>	<b>£ (104,481)</b>

**25. ANALYSIS OF NET DEBT**

	At 30 March 2003 £	Cash flow £	Other changes £	At 30 March 2004 £
Cash at bank and in hand	(560,701)	(78,834)	-	(639,535)
Loans	(47,816)	5,587	-	(42,229)
Hire purchase	(102,469)	72,458	(38,975)	(68,986)
	<b>£ (710,986)</b>	<b>£ (789)</b>	<b>£ (38,975)</b>	<b>£ (750,750)</b>