

**LOCH DUART LIMITED**  
(Company Number: SC195923)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 MARCH 2012**



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

**LOCH DUART LIMITED  
DIRECTORS' REPORT**

Directors:

A J Balfour	
A J C Bing	
N H Joy	
Dr A Barbour	
A Williamson	
M Woods	
J Georke	(appointed 1 November 2012)
A Anderson	(resigned 31 July 2012)
T O'Shea	(resigned 31 October 2012)
B Demeroutis	(resigned 31 October 2012)

Secretary: A J Balfour

Registered office: 15 Atholl Crescent, Edinburgh

The directors submit their report and the audited financial statements of the group for the year ended 30 March 2012.

**RESULTS AND DIVIDENDS**

The consolidated group loss for the year, amounting to £384,660 (2011 - profit - £4,476,936) has been dealt with as shown in the consolidated profit and loss account. There were no dividends paid in the year (2011- £6,240). The company profit of £92,539 (2011 - profit - £4,384,810) is also displayed.

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS**

The principal activity of the group and company is that of salmon farming in the North West of Scotland. During the year the group acquired a salmon farming operation in Nova Scotia, Canada, along with entering into a Joint Venture for the production of kob in Mozambique. It is the Group's intention to develop these businesses with the same unique environmental and welfare policies as are applied to existing operations and on which the group's reputation has been built.

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

The results for the year are set out on page 5 and the Directors are disappointed to report a loss after tax of £384,660. This result includes the costs incurred in securing the new international ventures mentioned above. However the Company results for the year show that despite the absorption of some costs relating to expansion, a profit of £92,539 was generated from its Scottish salmon farming operations. This is against a backdrop of difficult weather conditions over the winter, coupled with fish health issues consistent with the rest of the industry.

The company continues to invest in Research and Development to improve certain areas of production. The development of the pump and filter process that captures and removes sea lice is just one such example.

Our markets continue to strengthen and it is a bulwark of the company that its brand is recognised around the world. This helps to insulate the business from fluctuations in the commodity price for salmon. We continue to remember the quality and hard work of our staff who produce our salmon and smoked salmon, often in extremely difficult conditions.

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

**PRINCIPLE 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 this risk via appropriate treasury management.

The geographic and species diversification spreads the group risk over more locations, sales markets and health & welfare issues. This diversification will reduce the operational and hence financial risk faced by the business.

In order to support the diversification and the Scottish operations, new sources of funds are required. Since the year end, existing investors have increased their commitments to the group and there has been an investment from the Scottish Investment Bank, making a combined investment of £4.05 million. The Directors are continuing to pursue expressions of interest from a number of suitable funding partners.

**ENVIRONMENT AND WELFARE**

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

**EMPLOYEES**

The group employed an average of 120 staff during the year ended 30 March 2012. Related costs can be found on page 14 of the financial statements.

**PROVISION OF INFORMATION TO AUDITORS**


The directors, at the time when this Directors' Report is approved, have confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

**AUDITORS**

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the board of directors

  
.....  
Director - A Balfour

18 Dec 2012 ..... Date

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

The directors are responsible for preparing the Directors' 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 the affairs of the company and the group 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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LOCH DUART LIMITED

We have audited the financial statements of Loch Duart Limited for the year ended 30 March 2012 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 March 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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

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

*Anderson Anderson & Brown LLP*

James Pirrie (Senior Statutory Auditor)  
For and on behalf of Anderson Anderson & Brown LLP  
Statutory Auditor  
9 Queens Road  
Aberdeen  
AB15 4YL

*18<sup>th</sup> December 2012*

**LOCH DUART LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER	2	23,148,536	23,045,003
Operating costs		23,233,119	21,178,612
NET OPERATING (LOSS)/PROFIT	3	(84,583)	1,866,391
Other income	4	-	4,650,000
Interest receivable		-	44
Interest payable and similar charges	7	(292,581)	(316,798)
(LOSS)/PROFIT BEFORE TAXATION		(377,164)	6,199,637
Taxation	8	7,496	1,722,701
(LOSS)/PROFIT AFTER TAXATION		£ (384,660)	£ 4,476,936

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

Movements on reserves are as set out in Note 20.

**LOCH DUART LIMITED**  
**COMPANY PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 MARCH 2012**

	Note	2012 £	2011 £
TURNOVER	2	23,147,743	22,934,267
Operating costs		22,755,313	21,156,883
NET OPERATING PROFIT	3	392,430	1,777,384
Other income	4	-	4,650,000
Interest payable and similar charges	7	(292,395)	(316,406)
PROFIT BEFORE TAXATION		100,035	6,110,978
Taxation	8	7,496	1,726,168
PROFIT AFTER TAXATION		£ 92,539	£ 4,384,810

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

Movements on reserves are as set out in Note 20.



**LOCH DUART LIMITED**  
**NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES**  
**FOR THE YEAR ENDED 30 MARCH 2012**

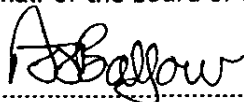
	2012 £	2011 £
Reported (loss)/profit on ordinary activities before tax	(377,164)	6,199,637
Differences between historical cost deprecation charge and actual depreciation charge for the year	-	2,802
Historical cost (loss)/profit on ordinary activities before Taxation	<u>£ (377,164)</u>	<u>£ 6,202,439</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>£ (384,660)</u>	<u>£ 4,473,498</u>



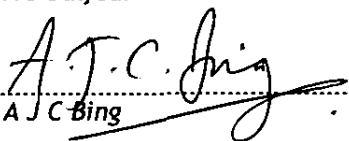
**LOCH DUART LIMITED**  
**CONSOLIDATED BALANCE SHEET - 30 MARCH 2012**

	Note	2012 £	2011 £
<b>FIXED ASSETS</b>			
Intangible assets	9	4,163,269	3,413,330
Tangible assets	10	8,225,314	6,909,897
		<u>12,388,583</u>	<u>10,323,227</u>
<b>CURRENT ASSETS</b>			
Stocks	12	9,416,953	7,746,958
Debtors	13	3,873,020	3,163,441
Cash at bank and in hand		88,334	1,575,950
		<u>13,378,307</u>	<u>12,486,349</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>10,357,999</u>	<u>7,245,975</u>
<b>NET CURRENT ASSETS</b>		<u>3,020,308</u>	<u>5,240,374</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,408,891</u>	<u>15,563,601</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	1,642,677	1,339,954
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17	225,506	201,021
<b>DEFERRED INCOME</b>	18	712,903	810,161
		<u>£ 12,827,805</u>	<u>£ 13,212,465</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	166,666	166,666
Share premium account	20	283,334	283,334
Revaluation reserve	20	2,758,155	2,758,155
Profit and loss account	20	9,619,650	10,004,310
<b>SHAREHOLDERS' FUNDS</b>	20	<u>£ 12,827,805</u>	<u>£ 13,212,465</u>

Signed on behalf of the board of directors



Director - A J Balfour



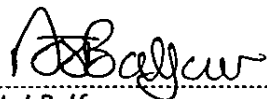
Director - A J C Bing

18-12-2012 Date

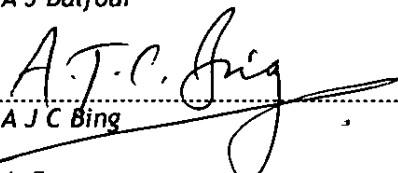
LOCH DUART LIMITED  
COMPANY NUMBER: SC195923  
COMPANY BALANCE SHEET - 30 MARCH 2012

	Note	2012 £	2011 £
<b>FIXED ASSETS</b>			
Intangible assets	9	3,395,958	3,413,330
Tangible assets	10	7,616,928	6,909,897
Investments	11	21	15
		<u>11,012,907</u>	<u>10,323,242</u>
<b>CURRENT ASSETS</b>			
Stocks	12	8,413,903	7,746,958
Debtors: amounts falling due after more than one year	13	2,767,210	-
Debtors: amounts falling due within one year	13	3,850,938	3,163,441
Cash at bank and in hand		5,984	1,575,950
		<u>15,038,035</u>	<u>12,486,349</u>
CREDITORS: <i>amounts falling due within one year</i>	14	10,159,068	7,240,206
NET CURRENT ASSETS		<u>4,878,967</u>	<u>5,246,143</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,891,874	15,569,385
CREDITORS: <i>amounts falling due after more than one year</i>	15	1,642,677	1,339,954
PROVISION FOR LIABILITIES AND CHARGES	17	225,506	201,021
DEFERRED INCOME	18	712,903	810,161
		<u>£ 13,310,788</u>	<u>£ 13,218,249</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	166,666	166,666
Share premium account	20	283,334	283,334
Revaluation reserve	20	2,758,155	2,758,155
Profit and loss account	20	10,102,633	10,010,094
SHAREHOLDERS' FUNDS	20	<u>£ 13,310,788</u>	<u>£ 13,218,249</u>

Signed on behalf of the board of directors



Director - A J Balfour



Director - A J C Bing

18-12-2012

Date

**LOCH DUART LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 MARCH 2012**

	Note	2012 £	2011 £
Cash (outflow)/inflow from operating activities	26	(2,253,871)	6,834,957
Return on investments and servicing of finance	27	(292,581)	(316,754)
Taxation		(997,792)	(1,517,622)
Capital expenditure	27	(1,738,435)	(1,783,531)
Equity dividends paid		-	(6,240)
Cash outflow before financing		(5,282,679)	3,210,810
Financing - increase/(decrease) in debt	27	971,229	(760,053)
<b>(Decrease)/increase in cash in the year</b>		<b>£ (4,311,450)</b>	<b>£ 2,450,757</b>

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

	Note	2012 £	2011 £
<b>(Decrease)/increase in cash in the year</b>		<b>(4,311,450)</b>	<b>2,450,757</b>
Cash (inflow)/outflow from (increase) /decrease in debt		(971,229)	760,053
Change in net debt resulting from cash flows		(5,282,679)	3,210,810
New hire purchase agreements		(1,537,964)	(834,865)
<b>Movement in net debt in year</b>		<b>(6,820,643)</b>	<b>2,375,945</b>
<b>Net debt at 30 March 2011</b>	28	<b>(1,729,592)</b>	<b>(4,105,537)</b>
<b>Net debt at 30 March 2012</b>	28	<b>£ (8,550,235)</b>	<b>£ (1,729,592)</b>

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**1. ACCOUNTING POLICIES**

**(a) Basis of financial statements preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**(b) Going concern**

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the group has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

**(c) Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary companies.

The accounts of Carnan Smokehouse Limited have not been consolidated as the directors consider that the amounts involved are not material. Carnan Smokehouse Limited commenced trading in March 2011 but was placed in liquidation during the year. The group has made a provision in full against all balances due by Carnan Smokehouse Limited as they consider the amounts to be irrecoverable.

**(d) 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	2-10 years
Motor vehicles	2-4 years

Land and buildings are stated in the balance sheet at their revalued amounts. In the directors' opinion, any depreciation on the revalued land and buildings would be immaterial and no depreciation charge has been booked. A review for impairment is carried out each year to ensure there has been no diminution in value of land and buildings.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserve.

**(e) 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.

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**1. ACCOUNTING POLICIES (continued)**

**(f) *Taxation***

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the financial statements. Deferred tax has been measured on a non-discounted basis.

**(g) *Sea sites***

Intangible assets are stated in the balance sheet at their revalued amounts.

A policy of regular revaluation is followed undertaken by the directors' with an interim valuation after 3 years and a full valuation after 5 years.

No provision is made for amortisation due to the market value of the sea sites increasing. This departure from the requirement of the Companies Act 2006 which require intangible assets to be amortised is, in the opinion of the directors, necessary for the financial statements to show a true and fair view.

A review for impairment will be carried out if events or changes in circumstances indicate that the carrying amount of the sea sites may not be recoverable.

**(h) *Goodwill***

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, over 10 years. Provision is made for any impairment when identified.

**(i) *Leasing and hire purchase contracts***

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the term of the agreement and represents a constant proportion of the balance of capital repayments outstanding.

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

**(j) *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 FINANCIAL STATEMENTS - 30 MARCH 2012**

**1. ACCOUNTING POLICIES (continued)**

**(j) Foreign currencies (continued)**

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

**(k) Grants**

Government and other grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets. Where the grant cannot be specifically associated with any one asset the grant is released to the profit and loss account over the period of obligation specified in the grant documentation.

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

**(l) Pensions**

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

**(m) Share options**

The group has applied the requirements of FRS20 "share based payment". The group issues equity settled share-based payments to certain employees of Loch Duart Limited. Equity settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity settled share-based payment, where material, is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

**2. TURNOVER**

The turnover shown in the profit and loss account represents amounts invoiced to third parties, exclusive of value added tax. Geographic analysis of turnover has not been stated as the directors believe this would be prejudicial to the company's interests.

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

	2012	Group 2011	2012	Company 2011
Government grants released	(117,258)	(110,864)	(117,258)	(110,864)
Amortisation	20,412	25,418	20,412	25,418
Depreciation - owned assets	625,628	813,613	625,628	813,613
- assets held under hire purchase and finance leases	611,150	450,164	611,150	450,164
Auditors' remuneration	21,000	21,500	21,000	21,500
Leasehold property rents	(18,501)	(17,196)	(18,501)	(17,196)
Gain on sale of assets	(26,146)	(8,982)	(26,146)	(8,982)

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**4. OTHER INCOME**

The other income in 2011 of £4,650,000 relates to the out of court settlement in connection with the loss and damages sustained by Loch Duart Limited as a result of the diesel spill in 2008 at Loch Carnan.

**5. STAFF COSTS AND NUMBERS**

	2012 £	Group 2011 £	2012 £	Company 2011 £
Wages and salaries	2,947,564	3,041,391	2,730,525	2,982,676
Social security	267,851	310,033	262,786	305,182
Pension contributions	19,376	85,573	16,342	84,479
	<u>£ 3,234,791</u>	<u>£ 3,436,997</u>	<u>£ 3,009,653</u>	<u>£ 3,372,337</u>

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

	2012 No	Group 2011 No	2012 No	Company 2011 No
Management	5	9	5	8
Administration	10	10	10	9
Operations	105	100	100	98
	<u>120</u>	<u>119</u>	<u>115</u>	<u>106</u>

**6. DIRECTORS' EMOLUMENTS**

	Group and company	
	2012 £	2011 £
Emoluments (including benefits in kind)	532,359	739,845
Pension contributions	19,376	82,840
	<u>£ 551,735</u>	<u>£ 822,685</u>

The company contributed to a defined contribution pension scheme on behalf of one director (2011 - one).

The amount payable in the year in respect of the highest paid director was £129,376 (2011 - £193,088).

**LOCH DUART LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2012 £	Group 2011 £	2012 £	Company 2011 £
Bank interest	62,264	53,019	62,264	53,019
Hire purchase and finance lease interest	157,184	138,908	157,184	138,516
Loan interest	73,133	124,871	72,947	124,871
	<u>£ 292,581</u>	<u>£ 316,798</u>	<u>£ 292,395</u>	<u>£ 316,406</u>

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

	2012 £	Group 2011 £	2012 £	Company 2011 £
UK corporation tax	-	1,740,169	-	1,740,169
Adjustment relating to prior year	(13,521)	(14,000)	(13,521)	(14,001)
	<u>(13,521)</u>	<u>1,726,169</u>	<u>(13,521)</u>	<u>1,726,168</u>
Transfer to deferred tax	12,951	-	12,951	-
Adjustment relating to prior year	8,066	(3,468)	8,066	-
	<u>£ 7,496</u>	<u>£ 1,722,701</u>	<u>£ 7,496</u>	<u>£ 1,726,168</u>

The tax (credit)/charge for the year for the group differs from that which would be expected by applying the rate of tax at 26% (2011 - 28%) to its pre-tax profits as a result of the following:

	2012 £000	Group 2011 £000
(Loss)/profit on ordinary activities before tax	<u>(377)</u>	<u>6,200</u>
Tax at 26% (2011 - 28%) thereon	(98)	1,736
Expenses not deductible for tax purposes	13	57
Capital allowances in excess of depreciation	(40)	(19)
Additional R & D expenditure	-	(27)
Adjustment to prior year	(14)	(14)
Unrelieved foreign tax losses	124	-
Other	1	(7)
Corporation tax (credit)/charge	<u>(14)</u>	<u>1,726</u>



**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**9. INTANGIBLE FIXED ASSETS**

	Sea sites £	Goodwill £	Total £
<b>Group</b>			
<b>COST OR VALUATION</b>			
At 31 March 2011	3,337,062	297,185	3,634,247
Additions	770,351	-	770,351
At 30 March 2012	4,107,413	297,185	4,404,598
<b>AMORTISATION</b>			
At 31 March 2011	122,069	98,848	220,917
Charge for year	-	20,412	20,412
At 30 March 2012	122,069	119,260	241,329
Net book amounts at:			
30 March 2012	£ 3,985,344	£ 177,925	£ 4,163,269
30 March 2011	£ 3,214,993	£ 198,337	£ 3,413,330

The sea sites were revalued by the directors on 30 March 2009 based on the market value of comparable transactions.

	Sea sites £	Goodwill £	Total £
<b>Company</b>			
<b>COST OR VALUATION</b>			
At 31 March 2011	3,337,062	223,755	3,560,817
Additions	3,040	-	3,040
At 30 March 2012	3,340,102	223,755	3,563,857
<b>AMORTISATION</b>			
At 31 March 2011	122,069	25,418	147,487
Charge for year	-	20,412	20,412
At 30 March 2012	122,069	45,830	167,899
Net book amounts at:			
30 March 2012	£ 3,218,033	£ 177,925	£ 3,395,958
30 March 2011	£ 3,214,993	£ 198,337	£ 3,413,330

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**10. TANGIBLE FIXED ASSETS**

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
<b>Group</b>				
<b>COST OR VALUATION</b>				
At 31 March 2011	1,351,400	10,238,804	377,341	11,967,545
Additions	199,134	2,271,174	96,493	2,566,801
Disposals	-	(69,716)	(11,995)	(81,711)
At 30 March 2012	1,550,534	12,440,262	461,839	14,452,635
<b>DEPRECIATION</b>				
At 31 March 2011	173,478	4,727,231	156,939	5,057,648
Charge for the year	-	1,147,354	89,424	1,236,778
Relating to disposals	-	(55,110)	(11,995)	(67,105)
At 30 March 2012	173,478	5,819,475	234,368	6,227,321
Net book amounts at:				
30 March 2012	£ 1,377,056	£ 6,620,787	£ 227,471	£ 8,225,314
30 March 2011	£ 1,177,922	£ 5,511,573	£ 220,402	£ 6,909,897

The net book amounts of plant and equipment and motor vehicles includes amounts of £3,765,249 (2011 - £3,129,758) and £210,587 (2011 - £219,815) in respect of assets held under finance leases and hire purchase contracts.

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
<b>Company</b>				
<b>COST OR VALUATION</b>				
At 31 March 2011	1,351,400	10,183,694	377,341	11,912,435
Additions	85,004	1,776,918	96,493	1,958,415
Disposals	-	(14,606)	(11,995)	(26,601)
At 30 March 2012	1,436,404	11,946,006	461,839	13,844,249
<b>DEPRECIATION</b>				
At 31 March 2011	173,478	4,672,121	156,939	5,002,538
Charge for the year	-	1,147,354	89,424	1,236,778
Relating to disposals	-	-	(11,995)	(11,995)
At 30 March 2012	173,478	5,819,475	234,368	6,227,321
Net book amounts at:				
30 March 2012	£ 1,262,926	£ 6,126,531	£ 227,471	£ 7,616,928
30 March 2011	£ 1,177,922	£ 5,511,573	£ 220,402	£ 6,909,897

The net book amounts of plant and equipment and motor vehicles include amounts of £3,765,249 (2011 - £3,129,758) and £210,587 (2011 - £219,815) in respect of assets held under finance leases and hire purchase contracts.

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**10. TANGIBLE FIXED ASSETS (continued)**

The company's land and buildings were revalued at £992,500 on an open market existing use basis by Knight Frank LLP Property Consultants, on 19 March 2009. The directors consider this valuation to approximate to the open market value of the relevant assets at 30 March 2012.

If land and buildings had not been revalued they would have been included at the following amounts:

	2012 £
Historic cost	842,238
Depreciation	109,806
Net book value	<u>£ 732,432</u>

**11. FIXED ASSET INVESTMENTS**

	Interests in group undertakings £
<b>Company</b>	
<b>COST</b>	
At 31 March 2011	154,047
Additions	6
At 30 March 2012	<u>154,053</u>
<b>PROVISION FOR IMPAIRMENT</b>	
At 31 March 2011	154,032
Impairment in the year	-
At 30 March 2012	<u>154,032</u>
Net book amounts at:	
30 March 2012	<u>£ 21</u>
30 March 2011	<u>£ 15</u>

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**11. FIXED ASSET INVESTMENTS (continued)**

The subsidiary undertakings are:

**Salar Smokehouse Limited**

*Country of incorporation:* Scotland  
*Nature of business:* Dormant  
*Proportion of shares held:* 100%

**Drumbeg Salmon Limited**

*Country of incorporation:* Scotland  
*Nature of business:* Dormant  
*Proportion of shares held:* 100%

**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%

**Snow Island Salmon Inc**

*Country of incorporation:* Canada  
*Nature of business:* Salmon farming  
*Proportion of shares held:* 100%

**Loch Duart (Mozambique) Limited**

*Country of incorporation:* Scotland  
*Nature of business:* Holding Company  
*Proportion of shares held:* 100%

Investment held directly by The Sustainable Food Company Limited:

**Carnan Smokehouse Limited**

*Country of incorporation:* Scotland  
*Nature of business:* Smoked salmon processing - in administration  
*Proportion of shares held:* 75%

Carnan Smokehouse Limited commenced trading in March 2011 and was placed in administration and liquidators appointed in February 2012.

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**12. STOCKS**

	2012 £	Group 2011 £	2012 £	Company 2011 £
Fish	9,077,173	7,557,006	8,074,123	7,557,006
Feed and medicine	339,780	189,952	339,780	189,952
	<u>£ 9,416,953</u>	<u>£ 7,746,958</u>	<u>£ 8,413,903</u>	<u>£ 7,746,958</u>

**13. DEBTORS**

	2012 £	Group 2011 £	2012 £	Company 2011 £
Trade debtors	2,797,995	2,431,171	2,797,995	2,431,171
VAT repayable	191,235	365,130	162,635	365,130
Prepayments and accrued income	213,725	367,140	213,936	367,140
Corporation tax recoverable	283,995	-	283,995	-
Amounts due from subsidiaries	-	-	2,773,517	-
Other debtors	386,070	-	386,070	-
	<u>£ 3,873,020</u>	<u>£ 3,163,441</u>	<u>£ 6,618,148</u>	<u>£ 3,163,441</u>

Included within amounts due from subsidiaries is an amount of £2,767,210 (2011 - £nil) which is due to be received in greater than one year.

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

	2012 £	Group 2011 £	2012 £	Company 2011 £
Bank overdrafts	2,177,570	670,829	2,177,570	670,829
Bank loans (Notes 16 and 23)	2,297,280	104,987	2,224,121	104,987
Loan notes (Notes 16 and 23)	-	150,000	-	150,000
Debt factoring account (Note 23)	1,434,398	117,305	1,434,398	117,305
Obligations under finance leases and hire purchase contracts	1,086,644	922,467	1,086,644	922,467
Trade creditors	3,067,895	3,796,506	2,953,304	3,796,506
Corporation tax	-	730,786	-	730,786
Amounts due to subsidiary undertaking	-	-	-	8,701
Other taxation and social security	93,582	385,255	80,760	385,255
Accruals	200,630	367,840	202,271	353,370
	<u>£ 10,357,999</u>	<u>£ 7,245,975</u>	<u>£ 10,159,068</u>	<u>£ 7,240,206</u>

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

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

	2012 £	Group 2011 £	2012 £	Company 2011 £
Bank loan (Notes 16 and 23)	-	119,761	-	119,761
Obligations under finance leases and hire purchase contracts (between two and five years)	1,642,677	1,220,193	1,642,677	1,220,193
	<u>£ 1,642,677</u>	<u>£ 1,339,954</u>	<u>£ 1,642,677</u>	<u>£ 1,339,954</u>

**16. LOANS**

	2012 £	Group 2011 £	2012 £	Company 2011 £
Wholly repayable within five years	2,297,280	374,748	2,224,121	374,748
Less: included in creditors amounts falling due within one year	(2,297,280)	(254,987)	(2,224,121)	(254,987)
	<u>£ -</u>	<u>£ 119,761</u>	<u>£ -</u>	<u>£ 119,761</u>
<i>Amounts repayable:</i>				
In one year or less	2,297,280	254,987	2,224,121	254,987
Between one and two years	-	111,524	-	111,524
Between two and five years	-	8,237	-	8,237
	<u>£ 2,297,280</u>	<u>£ 374,748</u>	<u>£ 2,224,121</u>	<u>£ 374,748</u>

At 30 March 2012 the group had loans as follows:

- (a) £499,000 repayable by equal monthly instalments ending in August 2013, bearing interest at 1.85% per annum above HSBC Bank plc base rate.
- (b) £1,300,000 loan repayable 6 months after drawn down, bearing interest at 10% per annum.
- (c) £750,000 revolving credit facility repayable in full by July 2012, bearing interest at 4.28% per annum.
- (d) £65,000 repayable 6 months from draw down of loan, bearing interest at 10% per annum.

**LOCH DUART LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**17. PROVISION FOR LIABILITIES AND CHARGES**

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

	2012 £	Group 2011 £	2012 £	Company 2011 £
As at 31 March 2011	201,021	218,489	201,021	215,021
Charge/(released) in year	24,485	(17,468)	24,485	(14,000)
At 30 March 2012	<u>£ 225,506</u>	<u>£ 201,021</u>	<u>£ 225,506</u>	<u>£ 201,021</u>

Deferred tax provided in the financial statements is as follows:

	2012	Group 2011	2012	Company 2011
Capital allowances in advance of depreciation	240,504	229,265	240,504	229,265
Other short term differences	(14,998)	(28,244)	(14,998)	(28,244)
	<u>£ 225,506</u>	<u>£ 201,021</u>	<u>£ 225,506</u>	<u>£ 201,021</u>

**18. DEFERRED INCOME**

	2012 £	Group Deferred grants 2011 £	2012 £	Company Deferred grants 2011 £
At 31 March 2011	810,161	666,122	810,161	666,122
Received during the year	20,000	254,903	20,000	254,903
Released to profit and loss Account	(117,258)	(110,864)	(117,258)	(110,864)
At 30 March 2012	<u>£ 712,903</u>	<u>£ 810,161</u>	<u>£ 712,903</u>	<u>£ 810,161</u>

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**19. CALLED UP SHARE CAPITAL**

**Group & Company**  
**2012 & 2011**  
**£**

**Allotted, called up and fully paid:**

Ordinary shares of £1 each

103,646

Preference shares of £1 each

63,020

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£ 166,666

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The terms of the preference shares provide the following preferred rights:

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



**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

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

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
<b>Group</b>					
At 30 March 2010	166,666	283,334	2,760,957	5,530,812	8,741,769
Profit for the year	-	-	-	4,476,936	4,476,936
Dividends	-	-	-	(6,240)	(6,240)
Release of revaluation reserve	-	-	(2,802)	2,802	-
At 30 March 2011	166,666	283,334	2,758,155	10,004,310	13,212,465
Loss for the year	-	-	-	(384,660)	(384,660)
At 30 March 2012	£ 166,666	£ 283,334	£ 2,758,155	£ 9,619,650	£ 12,827,805
<b>Company</b>					
At 30 March 2010	166,666	283,334	2,760,957	5,628,722	8,839,679
Profit for the year	-	-	-	4,384,810	4,384,810
Dividends	-	-	-	(6,240)	(6,240)
Release of revaluation reserve	-	-	(2,802)	2,802	-
At 30 March 2011	166,666	283,334	2,758,155	10,010,094	13,218,249
Profit for the year	-	-	-	92,539	92,539
At 30 March 2012	£ 166,666	£ 283,334	£ 2,758,155	£ 10,102,633	£ 13,310,788

**21. OTHER FINANCIAL COMMITMENTS**

At 30 March 2012 the annual commitments under non-cancellable operating leases were as follows:

	Land and buildings			Other
	2012	2011	2012	2011
	£	£	£	£
<b>Group</b>				
<i>Operating leases which expire:</i>				
Within two to five years	14,050	14,050	2,107	2,107
In over five years	107,657	107,657	-	-
	£ 121,707	£ 121,707	£ 2,107	£ 2,107
<b>Company</b>				
<i>Operating leases which expire:</i>				
Within two to five years	14,050	14,050	2,107	2,107
In over five years	107,657	107,657	-	-
	£ 121,707	£ 121,707	£ 2,107	£ 2,107

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**22. CAPITAL COMMITMENTS**

	2012	Group 2011	2012	Company 2011
Contracted for, but not provided	<u>£ -</u>	<u>£ 662,889</u>	<u>£ -</u>	<u>£ 662,889</u>

**23. SECURITIES**

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

Ardvar Salmon Limited hold a floating charge over the assets of Drumbeg Salmon Limited.

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

The securities are subject to a ranking agreement.

A cross guarantee is in place between the company and Drumbeg Salmon Limited. At 30 March 2012 Drumbeg Salmon Limited had bank borrowings of £nil.

**24. SHARE-BASED PAYMENT ARRANGEMENTS**

Certain employees receive share options. These options are settled in equity. Employees can take up a percentage of the option entitlement on a sliding scale over ten years. Details of the share-based payment arrangements during the year are as follows:-

	No	2012 £	No	2011 £
Outstanding at 30 March 2011 and 30 March 2012	<u>8,000</u>	<u>120,400</u>	<u>8,000</u>	<u>120,400</u>
Exercisable at 30 March 2012	<u>6,500</u>	<u>97,825</u>	<u>5,000</u>	<u>75,250</u>

Share options remaining outstanding at 30 March 2012 are exercisable at £15.05. In the directors' opinion the fair value of the share options when they were originally forecast to be exercised was not materially different from the market value.

**25. RELATED PARTY TRANSACTIONS**

**Control**

Throughout the year the company was controlled by the directors.

**Transactions**

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with other group companies.

**LOCH DUART LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

**25. RELATED PARTY TRANSACTIONS (continued)**

During the year the company had the following transactions with non-exempt related parties:

Related party	Transaction	£	Balance at year end £
Scourie Estate, owned by family of one of the directors	Rental of land and buildings	42,000	-
C Balfour, wife of a director	Interest Loan	2,168 65,000	- 65,000
Pacific Sequoia Holdings LLC, shareholder	Interest Loan	36,874 1,300,000	36,874 1,300,000

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

	2012 £	2011 £
Operating (loss)/profit	(84,583)	1,866,391
Gain on disposal of fixed assets	(26,146)	(8,982)
Depreciation	1,236,778	1,263,777
Amortisation	20,412	25,418
Increase in stocks	(1,669,995)	(897,267)
Increase in debtors	(425,584)	(1,094,059)
(Decrease)/increase in creditors	(1,187,495)	1,140,543
Deferred grant release	(117,258)	(110,864)
Other cash operating activities	-	4,650,000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>£ (2,253,871)</b>	<b>£ 6,834,957</b>

**LOCH DUART LIMITED**

**NOTES ON THE FINANCIAL STATEMENTS - 30 MARCH 2012**

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

	2012 £	2011 £
<b>Returns on investments and servicing of finance</b>		
Interest received	-	44
Interest paid	(292,581)	(316,798)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>£ (292,581)</u>	<u>£ (316,754)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,028,836)	(1,871,296)
Payments to acquire intangible fixed assets	(770,351)	(195,000)
Sale of fixed assets	40,752	27,862
Receipts of capital grants	20,000	254,903
<b>Net cash outflow from capital expenditure</b>	<u>£ (1,738,435)</u>	<u>£ (1,783,531)</u>
<b>Financing</b>		
New long term loans	2,188,159	300,000
Repayment of loans	(265,627)	(134,887)
Repayment of loan notes	-	(150,000)
Capital element of finance lease rental payments	(951,303)	(775,166)
<b>Net cash inflow/(outflow) from financing</b>	<u>£ 971,229</u>	<u>£ (760,053)</u>

**28. ANALYSIS OF NET DEBT**

	At 30 March 2011 £	Cash flow £	Other changes £	At 30 March 2012 £
Cash at bank and in hand	1,575,950	(1,487,616)	-	88,334
Invoice discounting	(117,305)	(1,317,093)	-	(1,434,398)
Bank overdraft	(670,829)	(1,506,741)	-	(2,177,570)
Debt due after one year	(119,761)	119,761	-	-
Debt due within one year	(254,987)	(2,042,293)	-	(2,297,280)
Hire purchase	(2,142,660)	951,303	(1,537,964)	(2,729,321)
	<u>£ (1,729,592)</u>	<u>£ (5,282,679)</u>	<u>£ (1,537,964)</u>	<u>£ (8,550,235)</u>

**29. CONTINGENT LIABILITY**

Highland & Islands Enterprise have provided grants which have certain conditions attached and if these are breached in any way, the grant is repayable in full.