

LOCH DUART LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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LOCH DUART LIMITED

COMPANY INFORMATION

Directors	A Bing A Denton J Goerke N Joy S Maguire I Laird M Warrington A Erskine	(Appointed 28 November 2018) (Appointed 14 May 2019)
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 2019

The directors present the strategic report and financial statements for the year ended 31 March 2019.

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 £1,075,007. The performance, although a drop from the prior two years, represents a planned step in the realignment of the company's farming strategy to enable production to align more closely with customer demand and to facilitate future growth whilst maintaining our industry leading standards of fish welfare, environmental stewardship, community engagement and exceptional product quality.

That plan is consistent with the company's commitment to quality, innovation and improvement of farming methods which, in return, improve fish welfare and environmental sustainability.

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 aquaculture farming. 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 continued its significant investment in farming infrastructure and people development in support of its refined farming strategy.

The year saw prices remain resilient. However, during the year, the increasing prevalence of gill heath challenges, and, in particular, a long hot summer with negligible rainfall affected the company's fish, on one of its farms, with poor autumn 2018 biological performance. Despite that setback, the prices achieved allowed the operating budget for the year to be exceeded and year end stocks placed the company in a credible position from which to start the following year with a much higher budget expectation.

CANADA

Efforts to explore the potential for reopening Canadian operations continue, but any such possibility is not yet predictable in timing or scale. The company retains the licences to operate.

Key performance indicators

The company monitors turnover and profit as the key financial KPIs of the business. Turnover has reduced to £34.6M from £42.4M in 2018 and profit for the year is £1.1M against a profit in 2018 of £2.6M. The company's financial performance is influenced by movement of non-financial KPIs. These are predominantly production metrics around fish survival, growth, feed conversion rates and production volume.

LOCH DUART LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties

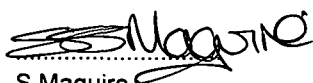
The company exports a significant percentage of its production and is therefore exposed to exchange rate movements. The company seeks to manage those risks via appropriate treasury management.

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

Director

24 October 2019

LOCH DUART LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

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	(Resigned 14 May 2019)
A Bing	
A Denton	
J Goerke	
N Joy	
S Maguire	
I Laird	
M Warrington	(Appointed 28 November 2018)
A Erskine	(Appointed 14 May 2019)

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.

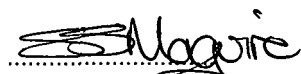
Statement of disclosure to auditor

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

Director

Date: 24 October 2019

LOCH DUART LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

LOCH DUART LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOCH DUART LIMITED

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 2019 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 2019 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.

LOCH DUART LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LOCH DUART LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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.

LOCH DUART LIMITED

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

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

4 November 2019

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 2019

	Notes	2019 £	2018 £
Turnover	3	34,608,694	42,381,072
Cost of sales		(27,143,140)	(33,196,265)
Gross profit		7,465,554	9,184,807
Administrative expenses		(6,391,957)	(5,687,752)
Other operating income		212,146	183,499
Operating profit	4	1,285,743	3,680,554
Interest receivable and similar income	8	31,915	-
Interest payable and similar expenses	9	(174,306)	(467,533)
Amounts written off investments		(5)	-
Profit before taxation		1,143,347	3,213,021
Tax on profit	10	(68,340)	(611,711)
Profit for the financial year	25	1,075,007	2,601,310

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 2019

	2019 £	2018 £
Profit for the year	1,075,007	2,601,310
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,075,007</u>	<u>2,601,310</u>

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


LOCH DUART LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11	1,724,427		1,649,427	
Tangible assets	12	11,843,549		9,340,866	
		<u>13,567,976</u>		<u>10,990,293</u>	
Current assets					
Stocks	15	12,150,323		8,977,943	
Debtors	16	5,487,910		2,955,909	
Cash at bank and in hand		29,391		4,062,920	
		<u>17,667,624</u>		<u>15,996,772</u>	
Creditors: amounts falling due within one year	17	(8,298,337)		(5,651,084)	
Net current assets		<u>9,369,287</u>		<u>10,345,688</u>	
Total assets less current liabilities		<u>22,937,263</u>		<u>21,335,981</u>	
Creditors: amounts falling due after more than one year	18	(2,946,072)		(2,480,615)	
Provisions for liabilities	21	(183,306)		(124,733)	
Net assets		<u>19,807,885</u>		<u>18,730,633</u>	
Capital and reserves					
Called up share capital	24	513,971		513,971	
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	1,138,435		1,136,190	
Profit and loss reserves	25	8,583,858		7,508,851	
Total equity		<u>19,807,885</u>		<u>18,730,633</u>	

The financial statements were approved by the board of directors and authorised for issue on 11 October 2019 and are signed on its behalf by:



S Maguire
Director

LOCH DUART LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11	1,724,427		1,649,427	
Tangible assets	12	11,843,549		9,340,866	
Investments	13		16		21
			<u>13,567,992</u>		<u>10,990,314</u>
Current assets					
Stocks	15	12,150,323		8,977,943	
Debtors	16	5,487,658		2,955,728	
Cash at bank and in hand		27,070		4,060,612	
			<u>17,665,051</u>		<u>15,994,283</u>
Creditors: amounts falling due within one year	17	(8,297,919)		(5,663,967)	
Net current assets			<u>9,367,132</u>		<u>10,330,316</u>
Total assets less current liabilities			<u>22,935,124</u>		<u>21,320,630</u>
Creditors: amounts falling due after more than one year	18	(2,911,416)		(2,436,588)	
Provisions for liabilities	21	(183,306)		(124,733)	
Net assets			<u><u>19,840,402</u></u>		<u><u>18,759,309</u></u>
Capital and reserves					
Called up share capital	24	513,971		513,971	
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		1,541,267	
Profit and loss reserves	25	8,213,543		7,132,450	
Total equity			<u><u>19,840,402</u></u>		<u><u>18,759,309</u></u>

LOCH DUART LIMITED

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2019

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 £1,081,093 (2018 - £2,612,893 profit).

The financial statements were approved by the board of directors and authorised for issue on 11 October 2019 and are signed on its behalf by:



S Maguire
Director

Company Registration No. SC195923

LOCH DUART LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 31 MARCH 2019**

		Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£	£	£
Balance at 1 April 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	-	7,148
Equity portion of convertible loan notes		-	-	-	-	(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
Year ended 31 March 2019:								
Profit and total comprehensive income for the year		-	-	-	-	-	1,075,007	1,075,007
Foreign currency exchange movements		-	-	-	-	2,245	-	2,245
Balance at 31 March 2019		513,971	4,274,918	665,513	4,631,190	1,138,435	8,583,858	19,807,885

LOCH DUART LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 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
Equity portion of convertible loan notes		-	-	-	-	(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
Year ended 31 March 2019:								
Profit and total comprehensive income for the year		-	-	-	-	-	1,081,093	1,081,093
Balance at 31 March 2019		513,971	4,274,918	665,513	4,631,190	1,541,267	8,213,543	19,840,402

LOCH DUART LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	29		(989,182)		9,464,007
Interest paid			(48,676)		(51,358)
Income taxes paid			(480,346)		(417,198)
Net cash (outflow)/inflow from operating activities			(1,518,204)		8,995,451
Investing activities					
Purchase of intangible assets		(75,000)		(550,000)	
Purchase of tangible fixed assets		(5,578,767)		(4,612,705)	
Proceeds on disposal of tangible fixed assets		21,535		47,080	
Interest received		31,915		-	
Net cash used in investing activities			(5,600,317)		(5,115,625)
Financing activities					
Repayment of debentures		-		(78,533)	
Increase / (repayment) of borrowings		116,181		(621,675)	
Increase / (payment) of finance leases obligations		897,700		(402,061)	
Net cash generated from/(used in) financing activities			1,013,881		(1,102,269)
Net (decrease)/increase in cash and cash equivalents			(6,104,640)		2,777,557
Cash and cash equivalents at beginning of year			4,058,455		1,280,898
Cash and cash equivalents at end of year			(2,046,185)		4,058,455
Relating to:					
Cash at bank and in hand			29,391		4,062,920
Bank overdrafts included in creditors payable within one year			(2,075,576)		(4,465)

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Company information

Loch Duart Limited ("the company") is a private company limited by shares 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 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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

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

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

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.3 Going concern

The Group made a profit for the year of £1.1M following profit of £2.6M 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 2020. 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 2021. 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 than the current market value. If market prices were to remain in excess of the price forecasted for longer than anticipated, this will represent upside to the Group.

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

1.4 Turnover

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

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

1.5 Intangible fixed assets - 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.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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
Leasehold improvements	3-25 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.

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.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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.

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.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

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 transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

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

Current tax

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

Deferred tax

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

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.15 Employee benefits

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

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

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

1.16 Retirement benefits

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

1.17 Leases

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

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

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

1.18 Government grants

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

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

1.19 Foreign exchange

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. The resulting profits or losses are dealt with in the profit and loss account.

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

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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:

	2019 £	2018 £
Turnover analysed by class of business		
Sale of goods	34,608,694	42,381,072

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

3 Turnover and other revenue (Continued)

	2019	2018
	£	£
Other significant revenue		
Interest income	31,915	-
Grants received	198,649	171,667

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

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(198,649)	(171,667)
Depreciation of owned tangible fixed assets	1,663,536	1,238,113
Depreciation of tangible fixed assets held under finance leases	327,636	190,645
Loss/(profit) on disposal of tangible fixed assets	46,150	(30,445)
Cost of stocks recognised as an expense	25,785,629	31,710,012
Operating lease charges	347,873	294,205

£283,227 of depreciation charged in the year is included in the year end stock valuation (2018: £250,090).

5 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	24,600	24,000
For other services		
Taxation compliance services	4,250	2,950
Other taxation services	750	2,750
	5,000	5,700

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

6 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Management	6	6	6	6
Administration	15	15	15	15
Operations	94	95	94	95
	<u>115</u>	<u>116</u>	<u>115</u>	<u>116</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	3,620,109	4,074,383	3,620,109	4,074,383
Social security costs	403,877	389,846	403,877	389,846
Pension costs	93,161	82,126	93,161	82,126
	<u>4,117,147</u>	<u>4,546,355</u>	<u>4,117,147</u>	<u>4,546,355</u>

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	573,590	540,182
Company pension contributions to defined contribution schemes	24,417	15,799
	<u>598,007</u>	<u>555,981</u>

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

	2019 £	2018 £
Remuneration for qualifying services	<u>228,850</u>	<u>208,671</u>

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	<u>31,915</u>	<u>-</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	-	2,293
Interest on convertible loan notes	125,630	416,175
Interest on finance leases and hire purchase contracts	46,639	49,065
Other interest	2,037	-
Total finance costs	174,306	467,533

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	131,395	655,825
Adjustments in respect of prior periods	(121,628)	(105,096)
Total current tax	9,767	550,729
Deferred tax		
Origination and reversal of timing differences	57,922	60,982
Adjustment in respect of prior periods	651	-
Total deferred tax	58,573	60,982
Total tax charge	68,340	611,711

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:

	2019	2018
	£	£
Profit before taxation	1,143,347	3,213,021
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	217,236	610,474
Tax effect of expenses that are not deductible in determining taxable profit	28,134	84,077
Adjustments in respect of prior years	(121,628)	(105,096)
Research and development tax credit	(95,000)	-
Deferred tax adjustments in respect of prior years	651	12,156
Timing differences not recognised	45,761	15,845
Effect of change in deferred tax rates	(6,814)	(5,745)
Taxation charge	68,340	611,711

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

11 Intangible fixed assets

Group	Goodwill £	Sea sites £	Total £
Cost			
At 1 April 2018	223,755	2,795,251	3,019,006
Additions - separately acquired	-	75,000	75,000
At 31 March 2019	223,755	2,870,251	3,094,006
Amortisation and impairment			
At 1 April 2018 and 31 March 2019	223,755	1,145,824	1,369,579
Carrying amount			
At 31 March 2019	-	1,724,427	1,724,427
At 31 March 2018	-	1,649,427	1,649,427
Company	Goodwill £	Sea sites £	Total £
Cost			
At 1 April 2018	223,755	1,771,496	1,995,251
Additions - separately acquired	-	75,000	75,000
At 31 March 2019	223,755	1,846,496	2,070,251
Amortisation and impairment			
At 1 April 2018 and 31 March 2019	223,755	122,069	345,824
Carrying amount			
At 31 March 2019	-	1,724,427	1,724,427
At 31 March 2018	-	1,649,427	1,649,427

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Tangible fixed assets

Group	Land and buildings freehold	Leasehold improvements	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2018	1,840,157	-	18,312,129	825,955	20,978,241
Additions	-	630,831	4,830,014	117,922	5,578,767
Disposals	-	-	(1,566,415)	(95,651)	(1,662,066)
Transfers	(400,397)	400,397	207,279	(207,279)	-
Exchange adjustments	12,484	-	36,548	766	49,798
At 31 March 2019	1,452,244	1,031,228	21,819,555	641,713	24,944,740
Depreciation and impairment					
At 1 April 2018	564,239	-	10,705,414	367,722	11,637,375
Depreciation charged in the year	-	31,565	2,116,750	126,084	2,274,399
Eliminated in respect of disposals	-	-	(776,704)	(83,677)	(860,381)
Transfers	(201,569)	201,569	47,390	(47,390)	-
Exchange adjustments	12,484	-	36,548	766	49,798
At 31 March 2019	375,154	233,134	12,129,398	363,505	13,101,191
Carrying amount					
At 31 March 2019	1,077,090	798,094	9,690,157	278,208	11,843,549
At 31 March 2018	1,275,918	-	7,606,715	458,233	9,340,866

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Tangible fixed assets

(Continued)

Company	Land and buildings freehold	Leasehold improvements	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2018	1,529,503	-	17,402,644	806,891	19,739,038
Additions	-	630,831	4,830,014	117,922	5,578,767
Disposals	-	-	(1,566,415)	(95,651)	(1,662,066)
Transfers	(400,397)	400,397	207,279	(207,279)	-
At 31 March 2019	1,129,106	1,031,228	20,873,522	621,883	23,655,739
Depreciation and impairment					
At 1 April 2018	253,585	-	9,795,929	348,658	10,398,172
Depreciation charged in the year	-	31,565	2,116,750	126,084	2,274,399
Eliminated in respect of disposals	-	-	(776,704)	(83,677)	(860,381)
Transfers	(201,569)	201,569	47,390	(47,390)	-
At 31 March 2019	52,016	233,134	11,183,365	343,675	11,812,190
Carrying amount					
At 31 March 2019	1,077,090	798,094	9,690,157	278,208	11,843,549
At 31 March 2018	1,275,918	-	7,606,715	458,233	9,340,866

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
Plant and machinery	1,512,484	454,914	1,512,484	454,914
Motor vehicles	-	21,810	-	21,810
	1,512,484	476,724	1,512,484	476,724
Depreciation charge for the year in respect of leased assets	327,636	190,645	327,636	190,645

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

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Tangible fixed assets

(Continued)

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
Cost	879,019	879,019	879,019	879,019
Accumulated depreciation	(215,286)	(197,706)	(215,286)	(197,706)
Carrying value	<u>663,733</u>	<u>681,313</u>	<u>663,733</u>	<u>681,313</u>

13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	14	-	-	16	21

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018 and 31 March 2019	21
Impairment	
At 1 April 2018	-
Disposals	5
At 31 March 2019	5
Carrying amount	
At 31 March 2019	16
At 31 March 2018	21

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 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
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 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	578,352	389,231	578,352	389,231
Finished goods and goods for resale	11,571,971	8,588,712	11,571,971	8,588,712
	<u>12,150,323</u>	<u>8,977,943</u>	<u>12,150,323</u>	<u>8,977,943</u>

Reconciliation of fish stocks

Opening fish stocks at 1 April 2018	8,588,712
Purchases and capitalisation of costs	21,311,405
Decreases due to harvests	(14,049,050)
Decreases due to other changes	(4,279,096)
Closing fish stocks at 31 March 2019	<u>11,571,971</u>

16 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	3,396,721	2,170,977	3,396,721	2,170,977
Other debtors	1,578,149	433,683	1,577,897	433,502
Prepayments and accrued income	513,040	351,249	513,040	351,249
	<u>5,487,910</u>	<u>2,955,909</u>	<u>5,487,658</u>	<u>2,955,728</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	19	2,075,576	4,465	2,075,576	4,465
Obligations under finance leases	20	431,665	371,228	431,665	371,228
Other borrowings	19	12,148	12,226	-	-
Trade creditors		4,470,562	3,547,207	4,470,562	3,547,207
Amounts owed to undertakings in which the group has a participating interest		-	-	12,018	25,662
Corporation tax payable		80,432	551,011	80,432	551,011
Other taxation and social security		94,096	98,791	94,096	98,791
Other creditors		195,000	-	195,000	-
Accruals and deferred income		938,858	1,066,156	938,570	1,065,603
		<u>8,298,337</u>	<u>5,651,084</u>	<u>8,297,919</u>	<u>5,663,967</u>

18 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Obligations under finance leases	20	922,878	209,846	922,878	209,846
Other borrowings	19	1,730,661	1,614,402	1,696,005	1,570,375
Deferred income	22	292,533	656,367	292,533	656,367
		<u>2,946,072</u>	<u>2,480,615</u>	<u>2,911,416</u>	<u>2,436,588</u>

19 Loans and overdrafts

		Group 2019 £	2018 £	Company 2019 £	2018 £
Bank overdrafts		2,075,576	4,465	2,075,576	4,465
Other loans		1,742,809	1,626,628	1,696,005	1,570,375
		<u>3,818,385</u>	<u>1,631,093</u>	<u>3,771,581</u>	<u>1,574,840</u>
Payable within one year		2,087,724	16,691	2,075,576	4,465
Payable after one year		<u>1,730,661</u>	<u>1,614,402</u>	<u>1,696,005</u>	<u>1,570,375</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 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 on issuance.

During the prior year £600,000 of loan notes were repaid. Therefore the loan value was reduced accordingly and the amount taken to equity was released through reserves. These loan notes were interest free and were repaid without any interest being paid or payable over their term.

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.

20 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Within one year	431,665	371,228	431,665	371,228
In two to five years	922,878	209,846	922,878	209,846
	<u>1,354,543</u>	<u>581,074</u>	<u>1,354,543</u>	<u>581,074</u>

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 2019 £	Liabilities 2018 £
Group		
Accelerated capital allowances	<u>183,306</u>	<u>124,733</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

21 Deferred taxation (Continued)

	Liabilities 2019 £	Liabilities 2018 £
Company		
Accelerated capital allowances	183,306	124,733
	<u>183,306</u>	<u>124,733</u>
	Group 2019 £	Company 2019 £
Movements in the year:		
Liability at 1 April 2018	124,733	124,733
Charge to profit or loss	58,573	58,573
	<u>183,306</u>	<u>183,306</u>
Liability at 31 March 2019	183,306	183,306

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 2019 £	2018 £	Company 2019 £	2018 £
Arising from Government Grants	292,533	656,367	292,533	656,367
	<u>292,533</u>	<u>656,367</u>	<u>292,533</u>	<u>656,367</u>

Capital expenditure grants of £62,213 (2018: £nil) were received during the year.

23 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	51,743	39,248
	<u>51,743</u>	<u>39,248</u>

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

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

24 Share capital

	Group and company	
	2019	2018
	£	£
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	358
	<u>104,004</u>	<u>104,004</u>
Preference share capital		
Issued and fully paid		
63,020 A Preference shares of £1 each	63,020	63,020
346,947 B Preference shares of £1 each	346,947	346,947
	<u>409,967</u>	<u>409,967</u>

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 (i) above;
- (iii) The right to convert into Ordinary shares.

The Ordinary B shares carry the same voting, dividend and capital distribution rights as the Ordinary A shares.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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.

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 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		Company	
	2019	2018	2019	2018
	£	£	£	£
Within one year	154,956	149,934	154,956	149,934
Between two and five years	291,809	371,152	291,809	371,152
In over five years	101,750	138,750	101,750	138,750
	<u>548,515</u>	<u>659,836</u>	<u>548,515</u>	<u>659,836</u>

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Acquisition of tangible fixed assets	<u>1,603,659</u>	<u>588,450</u>	<u>1,603,659</u>	<u>588,450</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

28 Related party transactions

Transactions with related parties

During the year, the company rented land and buildings for £53,900 (2018: £53,900) from Scourie Estate which is jointly owned by a former director and shareholder, and other members of his family. Included in creditors at the year end is an amount of £nil (2018: £nil) due to these companies.

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 £119,249 (2018: £80,527). Included in creditors at the year end is an amount of £22,902 (2018: £3,000) due to these companies.

29 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	1,075,007	2,601,310
Adjustments for:		
Taxation charged	68,340	611,711
Finance costs	142,391	467,533
Loss/(gain) on disposal of tangible fixed assets	46,150	(30,445)
Depreciation and impairment of tangible fixed assets	1,991,172	1,678,848
Amounts written off investments	5	-
Movements in working capital:		
(Increase)/decrease in stocks	(3,172,380)	2,089,009
(Increase)/decrease in debtors	(1,798,001)	2,571,569
Increase/(decrease) in creditors	1,021,968	(427,847)
(Decrease) in deferred income	(363,834)	(97,681)
Cash (absorbed by)/generated from operations	(989,182)	9,464,007