

LOCH DUART LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

COMPANIES HOUSE

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LOCH DUART LIMITED

COMPANY INFORMATION

Directors	A Bing J Goerke S Maguire M Warrington
Secretary	S Maguire
Company number	SC195923
Registered office	Floor 3 1 West Regent Street Glasgow G2 1RW
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 2020

The directors present the strategic report and financial statements for the year ended 31 March 2020.

Fair review of the business

Loch Duart Limited ownership changed during the year and by the year end was controlled by a single investor with some minority interests remaining. 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 £1,334,802. The performance is an increase on the prior year, which was 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. The result of that change was the highest ever harvest tonnage for the company. The company has achieved this whilst maintaining its 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, along with every other business, suffered the impact of COVID 19 and the measures adopted by various governments to deal with that. The company has always prioritised the food-service sector across many different countries. As a result, the company has had to adapt rapidly to a changed world and its financial performance has suffered due to the costs of doing so.

Against that background, the company's new owners have backed the strategic plans of the business, making the key post year-end purchase of a fish processing plant which is now operational.

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. This developing strategy, as well as achieving the company's highest ever volume, also enables similar volume in future.

The year saw prices remain resilient until the impact of COVID 19 and the market disruption which followed. 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.

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 increased to £40.3M from £34.6M in 2019 and profit for the year is £1.3M against a profit in 2019 of £1.1M. 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 2020

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 would normally reduce the operational, and hence financial, risk faced by the business but with international freight disrupted by COVID 19 at the year end it faces some short term challenges.

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 and changing consumer behaviour under the COVID 19 restrictions placed on the public by governments of the countries in which the company trades.

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

3 February 2021

LOCH DUART LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

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	(Resigned 6 February 2020)
J Goerke	
N Joy	(Resigned 12 May 2020)
S Maguire	
I Laird	(Resigned 12 May 2020)
M Warrington	
A Erskine	(Appointed 14 May 2019 and resigned 12 May 2020)

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.

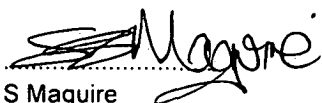
Statement of disclosure to auditor

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: 3 February 2021

LOCH DUART LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

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 2020 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 2020 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.



Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

10 February 2021
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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 2020

	Notes	2020 £	2019 £
Turnover	3	40,323,537	34,608,694
Cost of sales		(30,499,333)	(27,143,140)
Gross profit		9,824,204	7,465,554
Administrative expenses		(8,052,448)	(6,391,957)
Other operating income		196,138	212,146
Operating profit	4	1,967,894	1,285,743
Interest receivable and similar income	8	15,328	31,915
Interest payable and similar expenses	9	(186,351)	(174,306)
Amounts written off investments		-	(5)
Profit before taxation		1,796,871	1,143,347
Tax on profit	10	(462,069)	(68,340)
Profit for the financial year	25	1,334,802	1,075,007

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 2020

	2020 £	2019 £
Profit for the year	1,334,802	1,075,007
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,334,802</u>	<u>1,075,007</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 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11	1,788,487		1,724,427	
Tangible assets	12	14,020,765		11,843,549	
		<u>15,809,252</u>		<u>13,567,976</u>	
Current assets					
Stocks	15	12,623,394		12,150,323	
Debtors	16	3,460,067		5,487,910	
Cash at bank and in hand		1,231,915		29,391	
		<u>17,315,376</u>		<u>17,667,624</u>	
Creditors: amounts falling due within one year	17	<u>(7,928,299)</u>		<u>(8,298,337)</u>	
Net current assets		<u>9,387,077</u>		<u>9,369,287</u>	
Total assets less current liabilities		<u>25,196,329</u>		<u>22,937,263</u>	
Creditors: amounts falling due after more than one year	18	(1,806,237)		(2,946,072)	
Provisions for liabilities	21	(402,492)		(183,306)	
Net assets		<u><u>22,987,600</u></u>		<u><u>19,807,885</u></u>	
Capital and reserves					
Called up share capital	24	2,982		513,971	
Share premium account	25	4,818,916		4,274,918	
Revaluation reserve	25	665,513		665,513	
Capital redemption reserve	25	6,418,560		4,631,190	
Other reserves	25	(378,298)		1,138,435	
Profit and loss reserves	25	11,459,927		8,583,858	
Total equity		<u><u>22,987,600</u></u>		<u><u>19,807,885</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 3 February 2021 and are signed on its behalf by:



S Maguire
Director

LOCH DUART LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11	1,788,487		1,724,427	
Tangible assets	12	14,020,765		11,843,549	
Investments	13		16		16
		<u>15,809,268</u>		<u>13,567,992</u>	
Current assets					
Stocks	15	12,623,394		12,150,323	
Debtors	16	3,459,822		5,487,658	
Cash at bank and in hand		1,229,571		27,070	
		<u>17,312,787</u>		<u>17,665,051</u>	
Creditors: amounts falling due within one year	17	<u>(7,918,106)</u>		<u>(8,297,919)</u>	
Net current assets			9,394,681		9,367,132
Total assets less current liabilities			<u>25,203,949</u>		<u>22,935,124</u>
Creditors: amounts falling due after more than one year	18		(1,783,458)		(2,911,416)
Provisions for liabilities	21		(402,492)		(183,306)
Net assets			<u>23,017,999</u>		<u>19,840,402</u>
Capital and reserves					
Called up share capital	24		2,982		513,971
Share premium account	25		4,818,916		4,274,918
Revaluation reserve	25		665,513		665,513
Capital redemption reserve	25		6,418,560		4,631,190
Other reserves	25		-		1,541,267
Profit and loss reserves	25		11,112,028		8,213,543
Total equity			<u>23,017,999</u>		<u>19,840,402</u>

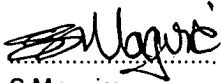
LOCH DUART LIMITED

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2020

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 £1,357,218 (2019 - £1,081,093 profit).

The financial statements were approved by the board of directors and authorised for issue on 3 February 2021 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 2020

	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 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
Year ended 31 March 2020:							
Profit and total comprehensive income for the year	-	-	-	-	-	1,334,802	1,334,802
Conversion of loan to shares	24 1,276,381	543,998	-	-	-	-	1,820,379
Cancellation of deferred shares	(1,787,370)	-	-	1,787,370	-	-	-
Foreign currency exchange movements	-	-	-	-	24,534	-	24,534
Transfers	-	-	-	-	(1,541,267)	1,541,267	-
Balance at 31 March 2020	2,982	4,818,916	665,513	6,418,560	(378,298)	11,459,927	22,987,600

LOCH DUART LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 April 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
Year ended 31 March 2020:								
Profit and total comprehensive income for the year		-	-	-	-	-	1,357,218	1,357,218
Conversion of loan to shares	24	1,276,381	543,998	-	-	-	-	1,820,379
Cancellation of deferred shares	24	(1,787,370)	-	-	1,787,370	-	-	-
Transfers		-	-	-	-	(1,541,267)	1,541,267	-
Balance at 31 March 2020		2,982	4,818,916	665,513	6,418,560	-	11,112,028	23,017,999

LOCH DUART LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	30		4,886,139		(989,182)
Interest paid			(61,977)		(48,676)
Income taxes paid			(570,687)		(480,346)
Net cash inflow/(outflow) from operating activities			4,253,475		(1,518,204)
Investing activities					
Purchase of intangible assets		(64,060)		(75,000)	
Purchase of tangible fixed assets		(4,674,736)		(5,578,767)	
Proceeds on disposal of tangible fixed assets		29,957		21,535	
Interest received		15,328		31,915	
Net cash used in investing activities			(4,693,511)		(5,600,317)
Financing activities					
Loan note settlement and repayment of borrowings		1,707,956		116,181	
Increase of finance leases obligations		575,416		897,700	
Net cash generated from financing activities			2,283,372		1,013,881
Net increase/(decrease) in cash and cash equivalents			1,843,336		(6,104,640)
Cash and cash equivalents at beginning of year			(2,046,185)		4,058,455
Cash and cash equivalents at end of year			(202,849)		(2,046,185)
Relating to:					
Cash at bank and in hand			1,231,915		29,391
Bank overdrafts included in creditors payable within one year			(1,434,764)		(2,075,576)

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 Floor 3, 1 West Regent Street, Glasgow, G2 1RW.

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 2020. 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 2020

1 Accounting policies

(Continued)

1.3 Going concern

The Group made a profit for the year of £1.3M following profit of £1.1M made in the prior year.

Since the year end, the Group renewed its banking facilities to April 2021. This, coupled with the increased profit 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 2022. These projections take account of the impact of COVID-19 to date and anticipated continuing impact. Despite COVID-19, the Group has continued to invest in its strategic plans with the support of its investors. With that support, projections indicate that the Group is expected to retain adequate levels of cash headroom based on conservative operating assumptions and continued creditable fish performance.

These projections are dependent upon the assumptions used, the most significant of which are:

1. Fish mortality – the group anticipates mortality will be within recently experienced ranges
2. Fish growth – growth performance consistent with the current year is projected across all sites
3. 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
4. Price – price assumptions are based on prices consistent with current COVID-19 impacted market value. If market prices were to recover from that faster than forecast, this would represent upside to the Group.

Management have considered the implications of COVID-19 and are satisfied the visible impact has been included in its assessment of the going concern status of the company. 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 2020

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 - 20 years
Motor vehicles	3 - 5 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 2020

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 publicly 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 2020

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 2020

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 2020

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. During the financial year the convertible debt was repaid which resulted in an increase in share capital in the year.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2020 £	2019 £
Turnover analysed by class of business		
Sale of goods	40,323,537	34,608,694
	<u> </u>	<u> </u>
	2020 £	2019 £
Other significant revenue		
Interest income	15,328	31,915
Grants received	183,510	198,649
	<u> </u>	<u> </u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3 Turnover and other revenue (Continued)

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

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	(183,510)	(198,649)
Depreciation of owned tangible fixed assets	1,539,566	1,663,536
Depreciation of tangible fixed assets held under finance leases	373,972	327,636
(Profit)/loss on disposal of tangible fixed assets	(4,712)	46,150
Stocks impairment losses recognised or reversed	1,265,538	-
Operating lease charges	373,340	347,873

£558,737 of depreciation charged in the year is included in the year end stock valuation (2019: £283,227).

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	25,100	24,600
For other services		
Taxation compliance services	5,800	4,250
Other taxation services	825	750
	6,625	5,000

6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Management	5	6	5	6
Administration	16	15	16	15
Operations	87	94	87	94
	108	115	108	115

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	4,005,233	3,620,109	4,005,233	3,620,109
Social security costs	366,891	403,877	366,891	403,877
Pension costs	179,561	93,161	179,562	93,161
	<u>4,551,685</u>	<u>4,117,147</u>	<u>4,551,685</u>	<u>4,117,147</u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	647,250	573,590
Company pension contributions to defined contribution schemes	83,445	24,417
	<u>730,695</u>	<u>598,007</u>

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

	2020 £	2019 £
Remuneration for qualifying services	<u>179,513</u>	<u>228,850</u>

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	<u>15,328</u>	<u>31,915</u>

9 Interest payable and similar expenses

	2020 £	2019 £
Interest on convertible loan notes	124,374	125,630
Interest on finance leases and hire purchase contracts	59,792	46,639
Other interest	2,185	2,037
Total finance costs	<u>186,351</u>	<u>174,306</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

9 Interest payable and similar expenses

(Continued)

Note 24 explains the conversion of loan notes during the year. The values included in the accounts as interest on convertible loan notes arise from FRS 102 fair value adjustments only. The loan notes were not interest bearing and no such interest was paid or was, at any time, payable. The conversion event resolves all fair value accounting treatment for these loan notes and subsequent years will not include charges or reference to them.

10 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	193,042	131,395
Adjustments in respect of prior periods	49,841	(121,628)
Total current tax	242,883	9,767
Deferred tax		
Origination and reversal of timing differences	219,186	57,922
Adjustment in respect of prior periods	-	651
Total deferred tax	219,186	58,573
Total tax charge	462,069	68,340

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:

	2020 £	2019 £
Profit before taxation	1,796,871	1,143,347
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	341,405	217,236
Tax effect of expenses that are not deductible in determining taxable profit	69,968	28,134
Gains not taxable	(41,142)	-
Adjustments in respect of prior years	49,841	(121,628)
Research and development tax credit	5,397	(95,000)
Deferred tax adjustments in respect of prior years	-	651
Timing differences not recognised	15,035	45,761
Utilisation of losses brought forward	21,565	-
Effect of change in deferred tax rates	-	(6,814)
Taxation charge	462,069	68,340

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

11 Intangible fixed assets

Group	Goodwill £	Sea sites £	Total £
Cost			
At 1 April 2019	223,755	2,870,251	3,094,006
Additions - separately acquired	-	64,060	64,060
At 31 March 2020	223,755	2,934,311	3,158,066
Amortisation and impairment			
At 1 April 2019 and 31 March 2020	223,755	1,145,824	1,369,579
Carrying amount			
At 31 March 2020	-	1,788,487	1,788,487
At 31 March 2019	-	1,724,427	1,724,427
Company			
	Goodwill £	Sea sites £	Total £
Cost			
At 1 April 2019	223,755	1,846,496	2,070,251
Additions - separately acquired	-	64,060	64,060
At 31 March 2020	223,755	1,910,556	2,134,311
Amortisation and impairment			
At 1 April 2019 and 31 March 2020	223,755	122,069	345,824
Carrying amount			
At 31 March 2020	-	1,788,487	1,788,487
At 31 March 2019	-	1,724,427	1,724,427

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Tangible fixed assets

Group	Land and buildings freehold	Leasehold improvements	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2019	1,452,244	1,031,228	21,819,555	641,713	24,944,740
Additions	5,353	157,759	4,417,461	94,163	4,674,736
Disposals	-	-	(8,825)	(112,478)	(121,303)
Exchange adjustments	(1,975)	-	(5,783)	(121)	(7,879)
At 31 March 2020	1,455,622	1,188,987	26,222,408	623,277	29,490,294
Depreciation and impairment					
At 1 April 2019	375,154	233,134	12,129,398	363,505	13,101,191
Depreciation charged in the year	-	88,153	2,261,911	122,211	2,472,275
Eliminated in respect of disposals	-	-	(1,103)	(94,955)	(96,058)
Exchange adjustments	(1,975)	-	(5,783)	(121)	(7,879)
At 31 March 2020	373,179	321,287	14,384,423	390,640	15,469,529
Carrying amount					
At 31 March 2020	1,082,443	867,700	11,837,985	232,637	14,020,765
At 31 March 2019	1,077,090	798,094	9,690,157	278,208	11,843,549

Company	Land and buildings freehold	Leasehold improvements	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2019	1,129,106	1,031,228	20,873,522	621,883	23,655,739
Additions	5,353	157,759	4,417,461	94,163	4,674,736
Disposals	-	-	(8,825)	(112,478)	(121,303)
At 31 March 2020	1,134,459	1,188,987	25,282,158	603,568	28,209,172
Depreciation and impairment					
At 1 April 2019	52,016	233,134	11,183,365	343,675	11,812,190
Depreciation charged in the year	-	88,153	2,261,911	122,211	2,472,275
Eliminated in respect of disposals	-	-	(1,103)	(94,955)	(96,058)
At 31 March 2020	52,016	321,287	13,444,173	370,931	14,188,407
Carrying amount					
At 31 March 2020	1,082,443	867,700	11,837,985	232,637	14,020,765
At 31 March 2019	1,077,090	798,094	9,690,157	278,208	11,843,549

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Tangible fixed assets

(Continued)

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Plant and machinery	<u>2,994,311</u>	<u>1,512,484</u>	<u>2,994,311</u>	<u>1,512,484</u>
Depreciation charge for the year in respect of leased assets	<u>373,972</u>	<u>327,636</u>	<u>373,972</u>	<u>327,636</u>

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

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Cost	879,019	879,019	879,019	879,019
Accumulated depreciation	(232,866)	(215,286)	(232,866)	(215,286)
Carrying value	<u>646,153</u>	<u>663,733</u>	<u>646,153</u>	<u>663,733</u>

13 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	14	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

13 Fixed asset investments

(Continued)

Movements in fixed asset investments Company

Shares in
group
undertakings
£

Cost or valuation

At 1 April 2019 and 31 March 2020

16

Carrying amount

At 31 March 2020

16

At 31 March 2019

16

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
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 2020 £	2019 £	Company 2020 £	2019 £
Raw materials and consumables	744,452	578,352	744,452	578,352
Finished goods and goods for resale	11,878,942	11,571,971	11,878,942	11,571,971
	<u>12,623,394</u>	<u>12,150,323</u>	<u>12,623,394</u>	<u>12,150,323</u>

Reconciliation of fish stocks

Opening fish stocks at 1 April 2019	11,571,971
Purchases and capitalisation of costs	23,541,464
Decreases due to harvests	(18,255,785)
Decreases due to other changes	(4,978,708)
Closing fish stocks at 31 March 2020	<u>11,878,942</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

16 Debtors

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,425,769	3,396,721	2,425,769	3,396,721
Corporation tax recoverable	247,372	-	247,372	-
Other debtors	312,151	1,578,149	311,906	1,577,897
Prepayments and accrued income	474,775	513,040	474,775	513,040
	<u>3,460,067</u>	<u>5,487,910</u>	<u>3,459,822</u>	<u>5,487,658</u>

17 Creditors: amounts falling due within one year

	Notes	Group 2020	2019	Company 2020	2019
		£	£	£	£
Bank loans and overdrafts	19	1,434,764	2,075,576	1,434,764	2,075,576
Obligations under finance leases	20	529,880	431,665	529,880	431,665
Other borrowings	19	12,074	12,148	-	-
Trade creditors		4,320,258	4,470,562	4,320,258	4,470,562
Amounts owed to undertakings in which the group has a participating interest		-	-	-	12,018
Corporation tax payable		-	80,432	-	80,432
Other taxation and social security		77,620	94,096	77,620	94,096
Other creditors		195,000	195,000	195,000	195,000
Accruals and deferred income		1,358,703	938,858	1,360,584	938,570
		<u>7,928,299</u>	<u>8,298,337</u>	<u>7,918,106</u>	<u>8,297,919</u>

18 Creditors: amounts falling due after more than one year

	Notes	Group 2020	2019	Company 2020	2019
		£	£	£	£
Obligations under finance leases	20	1,340,287	922,878	1,340,287	922,878
Other borrowings	19	22,779	1,730,661	-	1,696,005
Deferred income	22	443,171	292,533	443,171	292,533
		<u>1,806,237</u>	<u>2,946,072</u>	<u>1,783,458</u>	<u>2,911,416</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

19 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank overdrafts	1,434,764	2,075,576	1,434,764	2,075,576
Other loans	34,853	1,742,809	-	1,696,005
	<u>1,469,617</u>	<u>3,818,385</u>	<u>1,434,764</u>	<u>3,771,581</u>
Payable within one year	1,446,838	2,087,724	1,434,764	2,075,576
Payable after one year	<u>22,779</u>	<u>1,730,661</u>	<u>-</u>	<u>1,696,005</u>

Shareholder loans above includes unsecured convertible loan notes which bear no interest and mature between 2024 and 2026.

During the year £1,696,005 of loan notes were converted. Therefore the loan value was reduced accordingly and the amount taken to equity on original accounting for the loan notes has been released through reserves in the year. 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 2020 £	2019 £	Company 2020 £	2019 £
Future minimum lease payments due under finance leases:				
Within one year	529,880	431,665	529,880	431,665
In two to five years	1,340,287	922,878	1,340,287	922,878
	<u>1,870,167</u>	<u>1,354,543</u>	<u>1,870,167</u>	<u>1,354,543</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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 2020 £	Liabilities 2019 £
Group		
Accelerated capital allowances	381,175	120,238
Tax losses	30,416	64,026
Short term timing differences	(9,099)	(958)
	<u>402,492</u>	<u>183,306</u>
	Liabilities 2020 £	Liabilities 2019 £
Company		
Accelerated capital allowances	381,175	120,238
Tax losses	30,416	64,026
Short term timing differences	(9,099)	(958)
	<u>402,492</u>	<u>183,306</u>
	Group 2020 £	Company 2020 £
Movements in the year:		
Liability at 1 April 2019	183,306	183,306
Charge to profit or loss	219,186	219,186
Liability at 31 March 2020	<u>402,492</u>	<u>402,492</u>

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 2020 £	2019 £	Company 2020 £	2019 £
Arising from Government Grants	<u>443,171</u>	<u>292,533</u>	<u>443,171</u>	<u>292,533</u>

Capital expenditure grants of £nil (2019: £62,213) were received during the year.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

23 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	126,793	51,743

Defined contribution pension schemes are operated for all qualifying employees. The assets of the schemes are held separately from those of the group in an independently administered fund.

24 Share capital

	Group and company	
	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
2,981,624 Ordinary A shares of 0.1p each	2,982	103,646
Ordinary B shares of £0.001 each	-	358
	2,982	104,004
Preference share capital		
Issued and fully paid		
A Preference shares of £1 each	-	63,020
B Preference shares of £1 each	-	346,947
	-	409,967

During the year £1,276,381 of Series A convertible loan notes were converted resulting in 1,623,328 Series A preference shares being issued. The Series A preference Shares, Series B preference shares and Ordinary shares were then consolidated and sub divided into £0.001 per share. All prior share classes have been consolidated into one class of share, resulting in a total number of shares of 1,790,352,233. Of these 2,981,624 are Ordinary £0.001 shares with the remaining 1,787,370,609 being Deferred £0.001 shares.

On 6th February 2020 1,787,370,609 £0.001 deferred shares were cancelled resulting in a transfer to the capital redemption reserve.

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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. On conversion of these loan notes in the year the full remaining reserve related to these loans has been transferred to the profit and loss reserve.

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 2020 £	2019 £	Company 2020 £	2019 £
Within one year	735,230	154,956	735,230	154,956
Between two and five years	1,651,584	291,809	1,651,584	291,809
In over five years	623,225	101,750	623,225	101,750
	<u>3,010,039</u>	<u>548,515</u>	<u>3,010,039</u>	<u>548,515</u>

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Acquisition of tangible fixed assets	<u>1,033,250</u>	<u>1,603,659</u>	<u>1,033,250</u>	<u>1,603,659</u>

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

28 Related party transactions

Transactions with related parties

During the year, the company rented land and buildings for £53,900 (2019: £53,900) from Scourie Estate which is jointly owned by a former director and shareholder, and other members of his family.

Alban Denton was 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 £115,990 (2019: £119,249). Included in creditors at the year end is an amount of £705 (2019: £22,902) due to these companies.

During the year, the company received revenue of £239,918 (2019: £nil) from companies with common directors. Included in debtors at the year end is an amount of £10,595 (2019: £nil) due to these companies.

29 Controlling party

The ultimate controlling party is SAF II Master Fund 1, LP a limited partnership incorporated in the United States.

30 Cash generated from group operations

	2020 £	2019 £
Profit for the year after tax	1,334,802	1,075,007
Adjustments for:		
Taxation charged	462,069	68,340
Finance costs	171,023	142,391
(Gain)/loss on disposal of tangible fixed assets	(4,712)	46,150
Depreciation and impairment of tangible fixed assets	1,913,538	1,991,172
Loan note conversion	(543,998)	-
Amounts written off investments	-	5
Movements in working capital:		
(Increase) in stocks	(473,071)	(3,172,380)
Decrease/(increase) in debtors	1,541,205	(1,798,001)
Increase in creditors	334,645	1,021,968
Increase/(decrease) in deferred income	150,638	(363,834)
Cash generated from/(absorbed by) operations	4,886,139	(989,182)

LOCH DUART LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

31 Analysis of changes in net debt

	2020
	£
Opening net debt	
Cash and cash equivalents	(2,046,185)
Loans	(1,742,809)
Obligations under finance leases	(1,354,543)
	<u>(5,143,537)</u>
Changes in net debt arising from:	
Cash flows of the entity	3,035,668
	<u>(2,107,869)</u>
Closing net debt	
Cash and cash equivalents	(202,849)
Loans	(34,853)
Obligations under finance leases	(1,870,167)
	<u><u>(2,107,869)</u></u>