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LOCH DUART LIMITED
(Company Number: 195923)

DIRECTORS' REPORT AND ACCOUNTS

30 MARCH 2009

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COMPANIES HOUSE

Anderson Anderson & Brown LLP
Chartered Accountants

**LOCH DUART LIMITED
DIRECTORS' REPORT**



Directors: A J Balfour
 A J C Bing
 N H Joy
 Dr A Barbour
 B Uphoff
 T O'Shea (Appointed 30 April 2008)
 A Williamson (Appointed 29 October 2008)
 M Woods (Appointed 29 January 2009)
 A Anderson (Appointed 29 January 2009)

Secretary: A J Balfour

Registered office: 15 Atholl Crescent, Edinburgh

The directors submit their report and the audited accounts of the company for the year ended 30 March 2009.

RESULTS AND DIVIDENDS

The profit for the year, amounting to £2,320,540 (2008 - loss of £16,620) has been dealt with as shown in the profit and loss account. No dividends were paid during the year (2008 - £100,000).

DIRECTORS

The directors of the company were as noted above, together with Dr E J Balfour who resigned on 30 April 2008.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company is that of salmon farming in the North West of Scotland.

The profit for this year is considerably reduced due to a Board decision made in the light of an occurrence outwith the company's control.

During the year one of the company's sites was contaminated by a third party diesel spill. This event compromised production at this site and as a result these fish were deemed unfit for sale and would have been particularly damaging to a prestige brand such as Loch Duart. This has had an adverse effect on the results for this year but it is a testament to the hard work and determination of our staff that this incident's disruption has been kept to a minimum. A court action is being actively pursued to recover the losses.

SIGNIFICANT EVENT IN YEAR

Following the close of business on 30 March 2008, the trade, assets and liabilities of Drumbeg Salmon Limited (subsidiary company) were hived up into Loch Duart Limited as follows:

	£
Fixed Assets	615,405
Current Assets	
Stocks	1,273,034
Debtors	1,518,121
Cash at bank and in hand	827,080
	<hr/>
	3,618,235
Creditors: amounts falling due within 1 year	1,545,562
	<hr/>
Net current assets	2,072,673
	<hr/>
Total assets less current liabilities	2,688,078
Creditors: Amounts falling due after more than one year	312,500
Provision for liabilities and charges	38,851
Deferred income	60,420
	<hr/>
	<u>2,276,307</u>

As a consequence of this hive up all transactions are now recorded in the company accounts of Loch Duart Limited. The comparative figures shown for the year ending 30 March 2008 do not include transactions recorded in the name of Drumbeg Salmon Limited.

ENVIRONMENT AND WELFARE

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

EMPLOYEES

The company employed 80 staff at 30 March 2009. Related costs can be found in note 4 of the accounts.

PROVISION OF INFORMATION TO AUDITORS

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and we have taken all the steps we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

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

Signed on behalf of the board of directors

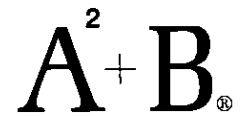


Director - A J Balfour

25-9-09

Date

LOCH DUART LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES



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

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

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

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

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We have audited the accounts of Loch Duart Limited for the year ended 30 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether or not the accounts give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:-

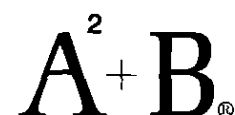
- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 March 2009 and of the profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information provided in the directors' report is consistent with the accounts.

Anderson Anderson & Brown LLP

Anderson Anderson & Brown LLP
Chartered Accountants
Registered Auditors
Aberdeen

30 September 2009 - 5 -

LOCH DUART LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 30 MARCH 2009



	Note	2009 £	2008 £
TURNOVER	2	13,813,283	6,522,074
Operating costs		<u>13,535,778</u>	<u>6,434,582</u>
NET OPERATING PROFIT	3	277,505	87,492
Investment income		2,276,306	-
Interest receivable		-	25,419
Interest payable and similar charges	6	<u>(206,117)</u>	<u>(80,913)</u>
PROFIT BEFORE TAXATION		2,347,694	31,998
Taxation	7	<u>27,154</u>	<u>48,618</u>
PROFIT/(LOSS) AFTER TAXATION		<u>£ 2,320,540</u>	<u>£ (16,620)</u>

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

Movements on reserves are as set out in Note 20.

LOCH DUART LIMITED
COMPANY BALANCE SHEET - 30 MARCH 2009

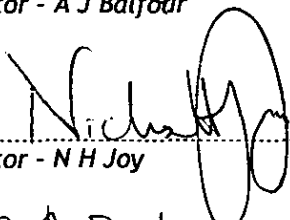
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	Note	2009 £	2008 £
FIXED ASSETS			
Intangible assets	9	2,854,993	-
Tangible assets	10	4,922,897	1,649,725
Investments	11	366,464	31,343
		<u>8,144,354</u>	<u>1,681,068</u>
CURRENT ASSETS			
Stocks	12	4,516,200	2,421,235
Debtors	13	2,171,972	1,801,412
Cash at bank and in hand		1,112,342	616,322
		<u>7,800,514</u>	<u>4,838,969</u>
CREDITORS: <i>amounts falling due within one year</i>	14	6,299,457	3,707,495
NET CURRENT ASSETS		<u>1,501,057</u>	<u>1,131,474</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,645,411	2,812,542
CREDITORS: <i>amounts falling due after more than one year</i>	15	1,808,446	440,495
PROVISION FOR LIABILITIES AND CHARGES	17	120,766	51,915
DEFERRED INCOME	18	461,350	157,993
		<u>£ 7,254,849</u>	<u>£ 2,162,139</u>
CAPITAL AND RESERVES			
Called up share capital	19	166,666	166,666
Share premium account	20	283,334	283,334
Revaluation reserve	20	2,772,170	-
Profit and loss account	20	4,032,679	1,712,139
SHAREHOLDERS' FUNDS	20	<u>£ 7,254,849</u>	<u>£ 2,162,139</u>

Signed on behalf of the board of directors



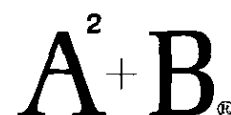
Director - A J Balfour



Director - N H Joy

30th September 2009 Date

LOCH DUART LIMITED
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30 MARCH 2009



	Note	2009 £	2008 £
Cash outflow from operating activities	26	(179,378)	590,201
Return on investments and servicing of finance	27	(206,117)	(55,494)
Taxation		(252,872)	(368,529)
Capital expenditure	27	(1,461,734)	(429,726)
Acquisitions and disposals	27	460,621	-
Equity dividends paid	27	-	(100,000)
Cash inflow before financing		(1,639,480)	(363,548)
Financing	27	(245,205)	(213,550)
Decrease in cash in the year		<u>£ (1,884,685)</u>	<u>£ (577,098)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2009 £	2008 £
Decrease in cash in the year		(1,884,685)	(577,098)
Cash outflow from decrease in debt		245,205	213,550
Change in net debt resulting from cash flows		(1,639,480)	(363,548)
New hire purchase		(1,791,231)	(494,397)
Debt hived up from subsidiary		(592,500)	-
Movement in net debt in year		(4,023,211)	(857,945)
Net debt at 30 March 2008	28	(82,648)	(775,297)
Net debt at 30 March 2009	28	<u>£ (4,105,859)</u>	<u>£ (82,648)</u>

1. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

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

(b) *Group accounts*

The company has taken advantage of the exemption powers granted by Section 248 of the Companies Act 1985 as amended not to prepare group accounts on the basis that the group qualifies as a medium group. The company accounts therefore present information about it as an individual undertaking and not its group.

(c) *Depreciation*

Depreciation is provided at the following annual rates in order to write off the cost of each asset over its estimated useful life:

Land and buildings	50 years
Plant and equipment	2-10 years
Motor vehicles	2-4 years

Land and buildings are stated in the balance sheet at their revalued amounts.

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

(d) *Stock*

Stocks are valued at the lower of cost and net realisable value with due allowance being made for estimated stock losses due to weather, predation and disease. Cost includes fish purchases, feed, direct labour and all other costs directly associated with the rearing of fish. An element of indirect overheads has also been included within the stock valuation.

(e) *Taxation*

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

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

1. ACCOUNTING POLICIES (continued)

(f) *Intangible assets*

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

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

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

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

(g) *Leasing and hire purchase contracts*

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

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

(h) *Foreign currencies*

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

(i) *Grants*

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

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

(j) *Pensions*

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

2. TURNOVER

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

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

	2009 £	2008 £
Government grants released	(79,447)	(51,835)
Depreciation - owned assets	410,874	214,202
- assets held under hire purchase and finance leases	311,222	84,489
Auditors' remuneration - audit fees	18,000	13,000
Leasehold property rents	(17,905)	(5,291)
Gain on sale of assets	(9,407)	(750)
	<u>£ 1,829,478</u>	<u>£ 1,152,261</u>

4. STAFF COSTS AND NUMBERS

	2009 £	2008 £
Wages and salaries	1,657,432	1,009,763
Social security	161,714	97,166
Pension contributions	10,332	45,332
	<u>£ 1,829,478</u>	<u>£ 1,152,261</u>

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

	2009 No	2008 No
Management	8	8
Administration	8	6
Operations	64	31
	<u>80</u>	<u>45</u>

5. DIRECTORS' EMOLUMENTS

	2009 £	2008 £
Emoluments (including benefits in kind)	408,289	245,742
Pension contributions	10,332	45,332
	<u>£ 418,621</u>	<u>£ 291,074</u>

The company contributed to a defined contribution pension scheme on behalf of one director (2008 - one).

The amount payable in the year in respect of the highest paid director was £96,531 (2008-£93,314).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Bank loan interest	23,836	7,066
Bank interest	49,953	-
Hire purchase and finance lease interest	59,257	25,823
Other loan interest	73,071	48,024
	<u>£ 206,117</u>	<u>£ 80,913</u>

7. TAXATION charge based on the profit for the year comprises:

	2009 £	2008 £
UK corporation tax	-	-
Transfer to deferred tax	25,809	42,000
	<u>25,809</u>	<u>42,000</u>
Adjustments relating to prior year:		
Corporation tax	(2,846)	10,502
Deferred tax	4,191	(3,884)
	<u>£ 27,154</u>	<u>£ 48,618</u>

The tax charge for the year does materially differ from that which would be expected by applying the rate of tax at 28.5% to its pre-tax profits as a result of dividend income received of £2,276,306 not being taxable.

8. DIVIDENDS

	2009	2008
£nil - paid (2008 - £100,000)	<u>£ -</u>	<u>£ 100,000</u>

9. INTANGIBLE FIXED ASSETS

	Sea sites £
COST	
At 31 March 2008	-
Additions	772,062
Revaluations	2,205,000
	<u>2,977,062</u>
At 30 March 2009	<u>2,977,062</u>
AMORTISATION	
At 31 March 2008	-
Charge for year	122,069
	<u>122,069</u>
At 30 March 2009	<u>122,069</u>
Net book amounts at:	
30 March 2009	<u>£ 2,854,993</u>
30 March 2008	<u>£ -</u>

The company's sea sites were revalued on 30 March 2009 based on the market value of comparable transactions.

10. TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
COST				
At 31 March 2008	534,369	2,257,066	251,975	3,043,410
Additions	15,273	2,730,739	84,637	2,830,649
Disposals	(6,000)	(16,000)	(58,095)	(80,095)
Revaluation	567,170	-	-	567,170
Hive up	500	1,542,953	-	1,543,453
At 30 March 2009	1,111,312	6,514,758	278,517	7,904,587
DEPRECIATION				
At 31 March 2008	95,643	1,169,973	128,069	1,393,685
Charge for the year	28,204	635,529	58,363	722,096
Relating to disposals	(5,400)	(16,000)	(40,802)	(62,202)
Hive up	-	928,111	-	928,111
At 30 March 2009	118,447	2,717,613	145,630	2,981,690
Net book amounts at:				
30 March 2009	<u>£ 992,865</u>	<u>£ 3,797,145</u>	<u>£ 132,887</u>	<u>£ 4,922,897</u>
30 March 2008	<u>£ 438,726</u>	<u>£ 1,087,093</u>	<u>£ 123,906</u>	<u>£ 1,649,725</u>

The net book amounts of plant and equipment and motor vehicles include amounts of £2,081,628 (2008 - £301,324) and £131,844 (2008 - £117,133) in respect of assets held under finance leases and hire purchase contracts.

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

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

	2009 £
Historic cost	544,142
Depreciation	(118,447)
Net book value	<u><u>£ 425,695</u></u>

11. FIXED ASSET INVESTMENTS

	Interests in group undertakings £
COST	
At 31 March 2008	31,343
Additions	<u>366,459</u>
At 31 March 2009	<u>397,802</u>
PROVISION FOR IMPAIRMENT	
Provision in year and at 30 March 2009	<u>(31,338)</u>
Net book amounts at:	
30 March 2009	<u>£ 366,464</u>
30 March 2008	<u>£ 31,343</u>

The subsidiary undertakings are:

Drumbeg Salmon Limited

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

The Sustainable Salmon Company Limited

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

The Sustainable Food Company Limited

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

Salar Smokehouse Limited

Country of incorporation: Scotland
Nature of business: Smoked salmon processing
Proportion of shares held: 100%
Loss for year £55,820
Aggregate reserves £32,995

12. STOCKS

	2009 £	2008 £
Fish	4,396,918	2,363,907
Feed and medicine	<u>119,282</u>	<u>57,328</u>
	<u>£ 4,516,200</u>	<u>£ 2,421,235</u>

13. DEBTORS

	2009 £	2008 £
Trade debtors	1,668,229	1,558,117
Amounts due from subsidiary	38,616	-
VAT repayable	54,206	138,780
Prepayments and accrued income	410,921	83,086
Debt factoring account (Note 23)	-	21,429
	<u>£ 2,171,972</u>	<u>£ 1,801,412</u>

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

	2009 £	2008 £
Bank loans (Notes 16 and 23)	505,030	129,473
Bank overdraft	1,677,564	-
Debt factoring account	681,712	-
Obligations under finance leases and hire purchase contracts	545,449	150,431
Trade creditors	2,328,762	1,628,448
Amounts due to subsidiary undertaking	-	1,462,743
Other taxation and social security	44,564	29,528
Accruals	516,376	124,282
Other creditors	-	182,590
	<u>£ 6,299,457</u>	<u>£ 3,707,495</u>

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

	2009 £	2008 £
Bank loan (Notes 16 and 23)	391,262	129,653
Obligations under finance leases and hire purchase contracts	1,417,184	310,842
	<u>£ 1,808,446</u>	<u>£ 440,495</u>

16. LOANS

	2009 £	2008 £
Wholly repayable within five years	896,292	259,126
Less: included in creditors amounts falling due within one year	<u>(505,030)</u>	<u>(129,473)</u>
	<u>£ 391,262</u>	<u>£ 129,653</u>
<i>Amounts repayable:</i>		
In one year or less	505,030	129,473
Between one and two years	<u>391,262</u>	<u>129,653</u>
	<u>£ 896,292</u>	<u>£ 259,126</u>

At 30 March 2009 the company had loans as follows:

- (a) Repayable by monthly instalments ending in March 2010, bearing interest at 1.85% per annum above HSBC Bank plc base rate.
- (b) Repayable by monthly instalments ending in August 2013 bearing interest at 1.85% above HSBC Bank plc base rate.
- (c) £312,500 of the loan notes are repayable by monthly instalments of £12,500. The remaining amount of the loans is repayable in whole or part commencing 1 May 2008 over a period of 24 months, dependent on the movement in salmon prices over a three year period commencing 1 May 2005. All loan notes are interest free.

17. PROVISION FOR LIABILITIES AND CHARGES

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

	2009 £	2008 £
As at 31 March 2008	51,915	13,799
Charge for year	30,000	38,116
Hive up	38,851	-
At 30 March 2009	<u>£ 120,766</u>	<u>£ 51,915</u>

Deferred tax provided in the accounts are as follows:

	2009	2008
Capital allowances in advance of depreciation	<u>£ 120,766</u>	<u>£ 51,915</u>

18. DEFERRED INCOME

	Deferred grants	
	2009	2008
	£	£
At 31 March 2008	157,993	160,932
Received during the year	322,384	48,896
Hive up	60,420	-
Released to profit and loss account	(79,447)	(51,835)
At 30 March 2009	<u>£ 461,350</u>	<u>£ 157,993</u>

19. SHARE CAPITAL

	2009 & 2008
	£
Authorised	
Ordinary shares of £1 each	112,418
Preference shares of £1 each	63,020
	<u>£ 175,438</u>
	£
Allotted, called up and fully paid	
Ordinary shares of £1 each	103,646
Preference shares of £1 each	63,020
	<u>£ 166,666</u>

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

- A dividend accruing at an annual rate equivalent to 8% of the price at which the preference shares were acquired, but payable only in the event of a sale or liquidation (and only if the preference shares had not been converted into Ordinary shares);
- The right to share pro-rata in any dividend declared on the Ordinary shares (as if the preference shares had been converted into Ordinary shares);
- A preference on liquidation or sale in respect of the amount paid by the investors when they acquired their shares, plus the amount of the accrued dividend referred to at (a) above;

19. SHARE CAPITAL (continued)

- (d) The right to convert into Ordinary shares on terms which ensure that the preference shareholders do not see any dilution in their overall shareholding percentage. In the event of conversion, the accrued dividend referred to at (a) above and the preference referred to at (c) above would not be applied. If the company performs as expected it is likely that the conversion would take place;
- (e) Rights to appoint up to two directors;
- (f) A number of occasions, particularly relating to matters regarding the company's shares, where the consent of the preference shareholders is required.

20. RECONCILIATION OF SHAREHOLDERS' FUNDS
 AND MOVEMENTS ON RESERVES

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 30 March 2007	166,666	283,334	-	1,828,759	2,278,759
Loss for the year	-	-	-	(16,620)	(16,620)
Dividends	-	-	-	(100,000)	(100,000)
At 30 March 2008	166,666	283,334	-	1,712,139	2,162,139
Surplus on revaluation	-	-	2,772,170	-	2,772,170
Profit for the year	-	-	-	2,320,540	2,320,540
At 30 March 2009	<u>£ 166,666</u>	<u>£ 283,334</u>	<u>£ 2,772,170</u>	<u>£ 4,032,679</u>	<u>£ 7,254,849</u>

21. OTHER FINANCIAL COMMITMENTS

At 30 March 2009 the annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		2009 £	Other 2008 £
	2009 £	2008 £		
<i>Operating leases which expire:</i>				
In less than one year	100,000	100,000	1,191	-
Within two to five years	6,350	6,350	859	1,191
In over five years	72,657	48,657	-	-
	<u>£ 179,007</u>	<u>£ 155,007</u>	<u>£ 2,050</u>	<u>£ 1,191</u>

22. CAPITAL COMMITMENTS

	2009	2008
Contracted for, but not provided	<u>£ 300,000</u>	<u>£ 968,888</u>

23. SECURITIES

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

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

Gerald Cavendish, Sixth Duke of Westminster, holds a floating charge over the assets of the company in respect of an amount of £25,000 included within deferred income.

The securities are subject to a ranking agreement.

A cross guarantee is in place between the company and Drumbeg Salmon Limited. At 30 March 2009 Drumbeg Salmon Limited had no net bank borrowings.

24. SHARE-BASED PAYMENT ARRANGEMENTS

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

	No	2009 £
Granted and outstanding at 30 March 2009	8,000	120,400
Exercisable at 30 March 2009	2,000	30,100

Share options remaining outstanding at 30 March 2009 are exercisable at £15.05.

25. RELATED PARTIES

Control

Throughout the year the company was controlled by the directors.

Transactions

During the year the company had the following transactions with related parties:

Related party	Transaction	£	Balance at year end £
Scourie Estate, a joint ownership between Dr Jean Balfour and John Balfour	Rental of land and buildings	42,000	-
Salar Smokehouse Limited, subsidiary company	Sales	168,245	38,616

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

	2009 £	2008 £
Operating profit	277,505	87,492
Gain on disposal of fixed assets	(9,407)	(750)
Depreciation	722,096	298,691
Amortisation	122,069	-
Increase in stocks	(821,931)	(508,942)
Increase in debtors	(336,611)	(569,254)
(Decrease)/increase in creditors	(84,990)	1,334,799
Deferred grant release	(79,447)	(51,835)
Other non cash movement	31,338	-
Net cash (outflow)/ inflow from operating activities	£ (179,378)	£ 590,201

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

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	-	25,419
Interest paid	(146,860)	(55,090)
Interest element of hire purchase payments	(59,257)	(25,823)
Net cash outflow from returns on investments and servicing of finance	£ (206,117)	£ (55,494)
Capital expenditure		
Purchase of tangible fixed assets	(1,039,356)	(479,372)
Purchase of intangible assets	(772,062)	-
Sale of fixed assets	27,300	750
Receipts of capital grants	322,384	48,896
Net cash outflow from capital expenditure	£ (1,461,734)	£ (429,726)
Acquisitions and disposals		
Payments to acquire subsidiary	(366,459)	-
Cash received on hive up of Drumbeg Salmon	827,080	-
	£ 460,621	£ -
Net cash outflow from equity dividends paid	£ -	£ (100,000)
Financing		
New loans drawn down	499,000	-
Repayment of loans	(186,834)	(118,606)
Repayment of loan notes	(267,500)	-
Capital element of finance lease rental payments	(289,871)	(94,944)
Net cash outflow from financing	£ (245,205)	£ (213,550)

28. ANALYSIS OF NET DEBT

	At 30 March 2008 £	Cash flow £	Other changes £	At 30 March 2009 £
Cash at bank and in hand	637,751	(1,884,685)	-	(1,246,934)
Loans	(259,126)	(312,166)	-	(571,292)
Loan notes	-	267,500	(592,500)	(325,000)
Hire purchase	(461,273)	289,871	(1,791,231)	(1,962,633)
	<u>£ (82,648)</u>	<u>£ (1,639,480)</u>	<u>£ (2,383,731)</u>	<u>£ (4,105,859)</u>

29. CONTINGENT LIABILITY

The Caithness and Sutherland Enterprise Company Limited grant has certain conditions attached and if these are breached in any way, the grant is repayable in full.