LOCH DUART LIMITED
(Company Number: SC195923)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 MARCH 2011

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 T O'Shea A Williamson M Woods A Anderson B Demeroutis
Secretary:	A J Balfour
Registered office:	15 Atholl Crescent, Edinburgh

The directors submit their report and the audited financial statements of the group for the year ended 30 March 2011.

RESULTS AND DIVIDENDS

The consolidated profit for the year, amounting to £4,476,936 (2010 - £1,551,212) has been dealt with as shown in the consolidated profit and loss account. During the year dividends of £6,240 were paid (2010- £nil).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

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

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

The results for the year are set out on page 5 and the Directors are delighted to report a profit after tax of £4.4 million. This result reflects a strong year for salmon prices and an extraordinary item.

The company finally settled with the third party over the matter of the diesel spill in 2008. As a result of the settlement the company's cash position was considerably strengthened.

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

Our markets continue to strengthen and it is a bulwark of the company that its brand is recognised around the world. This will hold us in good stead should the commodity price for salmon decline sharply. We continue to remember the quality and hard work of our staff who produce our salmon and smoked salmon, often in extremely difficult conditions and under extreme pressure.

PRINCIPLE RISKS AND UNCERTAINTIES

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

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 an average of 119 staff during the year ended 30 March 2011. Related costs can be found on page 12 of the financial statements.

PROVISION OF INFORMATION TO AUDITORS

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

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

AUDITORS

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

Signed on behalf of the board of directors

A Balfour

Director - A Balfour

21/9/11 *Date*

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit of the company 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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

We have audited the financial statements of Loch Duart Limited for the year ended 30 March 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 March 2011 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Anderson Anderson & Brown LLP

Robert Gordon (Senior Statutory Auditor)
For and on behalf of Anderson Anderson & Brown LLP
Statutory Auditor
Aberdeen

21 September 2011

LOCH DUART LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MARCH 2011

	Note	2011 £	2010 £
TURNOVER	2	23,045,003	15,377,130
Operating costs		21,178,612	12,942,793
NET OPERATING PROFIT	3	1,866,391	2,434,337
Other income	4	4,650,000	-
Interest receivable		44	137
Interest payable and similar charges	7	(316,798)	(240,913)
PROFIT BEFORE TAXATION		6,199,637	2,193,561
Taxation	8	1,722,701	642,349
PROFIT AFTER TAXATION		£ 4,476,936	£ 1,551,212

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

Movements on reserves are as set out in Note 21.

LOCH DUART LIMITED
NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 30 MARCH 2011

	2011 £	2010 £
Reported profit on ordinary activities before tax	6,199,637	2,193,561
Differences between historical cost deprecation charge and actual depreciation charge for the year	2,802	11,213
Historical cost profit on ordinary activities before Taxation	£ 6,202,439	£ 2,204,774
Historical cost profit for the year retained after taxation and dividends	£ 4,473,498	£ 1,562,425

LOCH DUART LIMITED
CONSOLIDATED BALANCE SHEET - 30 MARCH 2011

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	Note	2011 £	2010 £
FIXED ASSETS			
Intangible assets	10	3,413,330	3,243,748
Tangible assets	11	6,909,897	5,486,393
		10,323,227	8,730,141
CURRENT ASSETS			
Stocks	13	7,746,958	6,849,691
Debtors	14	3,163,441	2,069,382
Cash at bank and in hand		1,575,950	94,323
		12,486,349	9,013,396
CREDITORS: *amounts falling due within one year*	15	7,245,975	6,490,929
NET CURRENT ASSETS		5,240,374	2,522,467
TOTAL ASSETS LESS CURRENT LIABILITIES		15,563,601	11,252,608
CREDITORS: *amounts falling due after more than one year*	16	1,339,954	1,626,228
PROVISION FOR LIABILITIES AND CHARGES	18	201,021	218,489
DEFERRED INCOME	19	810,161	666,122
		£ 13,212,465	£ 8,741,769
CAPITAL AND RESERVES			
Called up share capital	20	166,666	166,666
Share premium account	21	283,334	283,334
Revaluation reserve	21	2,758,155	2,760,957
Profit and loss account	21	10,004,310	5,530,812
SHAREHOLDERS' FUNDS	21	£ 13,212,465	£ 8,741,769

Signed on behalf of the board of directors

Director - A J Balfour

Director - N H Joy

21/9/11 *Date*

LOCH DUART LIMITED
COMPANY NUMBER: SC195923
COMPANY BALANCE SHEET - 30 MARCH 2011

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	Note	2011 £	2010 £
FIXED ASSETS			
Intangible assets	10	3,413,330	3,019,993
Tangible assets	11	6,909,897	5,437,774
Investments	12	15	346,464
		10,323,242	8,804,231
CURRENT ASSETS			
Stocks	13	7,746,958	6,828,245
Debtors	14	3,163,441	2,091,169
Cash at bank and in hand		1,575,950	65,576
		12,486,349	8,984,990
CREDITORS: *amounts falling due within one year*	15	7,240,206	6,448,572
NET CURRENT ASSETS		5,246,143	2,536,418
TOTAL ASSETS LESS CURRENT LIABILITIES		15,569,385	11,340,649
CREDITORS: *amounts falling due after more than one year*	16	1,339,954	1,619,827
PROVISION FOR LIABILITIES AND CHARGES	18	201,021	215,021
DEFERRED INCOME	19	810,161	666,122
		£ 13,218,249	£ 8,839,679
CAPITAL AND RESERVES			
Called up share capital	20	166,666	166,666
Share premium account	21	283,334	283,334
Revaluation reserve	21	2,758,155	2,760,957
Profit and loss account	21	10,010,094	5,628,722
SHAREHOLDERS' FUNDS	21	£ 13,218,249	£ 8,839,679

Signed on behalf of the board of directors

AJ Balfour

Director - A J Balfour

Nicholas Joy

Director - N H Joy

21/9/11 *Date*

LOCH DUART LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 MARCH 2011

	Note	2011 £	2010 £
Cash inflow from operating activities	27	6,834,957	1,509,451
Return on investments and servicing of finance	28	(316,754)	(240,776)
Taxation		(1,517,622)	(39,855)
Capital expenditure	28	(1,783,531)	(597,786)
Acquisitions and disposals	28	-	20,000
Equity dividends paid		(6,240)	-
Cash outflow before financing		3,210,810	651,034
Financing - decrease in debt	28	(760,053)	(1,088,827)
Increase/(decrease) in cash in the year		£ 2,450,757	£ (437,793)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2011 £	2010 £
Increase/(decrease) in cash in the year		2,450,757	(437,793)
Cash outflow from increase in debt		760,053	1,088,827
Change in net debt resulting from cash flows		3,210,810	651,034
New hire purchase		(834,865)	(654,031)
Movement in net debt in year		2,375,945	(2,997)
Net debt at 30 March 2010	29	(4,105,537)	(4,102,540)
Net debt at 30 March 2011	29	£ (1,729,592)	£ (4,105,537)

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1. ACCOUNTING POLICIES

(a) *Basis of financial statements preparation*

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

(b) *Basis of consolidation*

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

(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. In the directors' opinion, any depreciation on the revalued land and buildings would be immaterial and no depreciation charge has been booked.

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 financial statements that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the financial statements. Deferred tax has been measured on a non-discounted basis.

1. ACCOUNTING POLICIES (continued)

(f) *Sea sites*

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

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

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

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

(g) *Goodwill*

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

(h) *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.

(i) *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.

(j) *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.

(k) *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:*

	2011 £	2010 £
Government grants released	(110,864)	(127,263)
Amortisation	25,418	25,418
Depreciation - owned assets	813,613	360,995
- assets held under hire purchase and finance leases	450,164	539,671
Auditors' remuneration	21,500	21,500
Leasehold property rents	(17,196)	(14,846)
Gain on sale of assets	(8,982)	(869)

4. OTHER INCOME

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

5. STAFF COSTS AND NUMBERS

	2011 £	2010 £
Wages and salaries	3,041,391	1,974,108
Social security	310,033	184,128
Pension contributions	85,573	15,483
	£ 3,436,997	£ 2,173,719

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

	2011 No	2010 No
Management	9	11
Administration	10	9
Operations	100	74
	119	94

6. DIRECTORS' EMOLUMENTS

	2011	2010
	£	£
Emoluments (including benefits in kind)	739,845	397,588
Pension contributions	82,840	10,332
	£ 822,685	£ 407,920

The company contributed to a defined contribution pension scheme on behalf of one director (2010 - one).

The amount payable in the year in respect of the highest paid director was £193,088 (2010 - £96,531).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Bank interest	53,019	66,994
Hire purchase and finance lease interest	138,908	111,017
Loan interest	124,871	62,902
	£ 316,798	£ 240,913

8. TAXATION *charge based on the profit for the year comprises:*

	2011	2010
	£	£
UK corporation tax	1,740,169	508,000
Transfer to deferred tax	(14,000)	100,000
	1,726,169	608,000
Adjustments relating to prior year:		
Corporation tax	-	40,094
Deferred tax	(3,468)	(5,745)
	£ 1,722,701	£ 642,349

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

	2011	2010
	£000	£000
Profit on ordinary activities before tax	6,200	2,194
Tax at 28% (2010 - 28%) thereon	1,736	614
Expenses not deductible for tax purposes	57	(14)
Capital allowances in excess of depreciation	(19)	(105)
Additional R & D expenditure	(27)	-
Adjustment to prior year	-	40
Other	(7)	13
Corporation tax charge	1,740	548

9. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

In accordance with the exemptions allowed by Section 408 of the Companies Act 2006 the company has not presented its own profit and loss account. Of the group profit for the financial year a profit of £4,384,810 (2010 - £1,584,830) has been dealt with in the financial statements of the company.

10. INTANGIBLE FIXED ASSETS

	Sea sites £	Goodwill £	Total £
Group			
COST OR VALUATION			
At 31 March 2010	3,142,062	297,185	3,439,247
Additions	195,000	-	195,000
At 30 March 2011	3,337,062	297,185	3,634,247
AMORTISATION			
At 31 March 2010	122,069	73,430	195,499
Charge for year	-	25,418	25,418
At 30 March 2011	122,069	98,848	220,917
Net book amounts at:			
30 March 2011	£ 3,214,993	£ 198,337	£ 3,413,330
30 March 2010	£ 3,019,993	£ 223,755	£ 3,243,748

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

	Sea sites £	Goodwill £	Total £
Company			
COST OR VALUATION			
At 31 March 2010	3,142,062	-	3,142,062
Additions	195,000	-	195,000
Reclassification of goodwill (Note 12)	-	223,755	223,755
At 30 March 2011	3,337,062	223,755	3,560,817
AMORTISATION			
At 31 March 2010	122,069	-	122,069
Charge for year	-	25,418	25,418
At 30 March 2011	122,069	25,418	147,487
Net book amounts at:			
30 March 2011	£ 3,214,993	£ 198,337	£ 3,413,330
30 March 2010	£ 3,019,993	£ -	£ 3,019,993

11. TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
Group				
COST OR VALUATION				
At 31 March 2010	1,138,308	7,914,817	283,201	9,336,326
Additions	213,092	2,323,987	169,082	2,706,161
Disposals	-	-	(74,942)	(74,942)
At 30 March 2011	1,351,400	10,238,804	377,341	11,967,545
DEPRECIATION				
At 31 March 2010	162,415	3,547,338	140,180	3,849,933
Charge for the year	11,063	1,179,893	72,821	1,263,777
Relating to disposals	-	-	(56,062)	(56,062)
At 30 March 2011	173,478	4,727,231	156,939	5,057,648
Net book amounts at:				
30 March 2011	£ 1,177,922	£ 5,511,573	£ 220,402	£ 6,909,897
30 March 2010	£ 975,893	£ 4,367,479	£ 143,021	£ 5,486,393

The net book amounts of plant and equipment and motor vehicles includes amounts of £3,129,758 (2010 - £1,533,658) and £219,815 (2010 - £165,006) in respect of assets held under finance leases and hire purchase contracts.

	Land & buildings £	Plant & equipment £	Motor vehicles £	Total £
Company				
COST OR VALUATION				
At 31 March 2010	1,138,308	7,816,681	283,201	9,238,190
Additions	213,092	2,367,013	169,082	2,749,187
Disposals	-	-	(74,942)	(74,942)
At 30 March 2011	1,351,400	10,183,694	377,341	11,912,435
DEPRECIATION				
At 31 March 2010	162,415	3,497,821	140,180	3,800,416
Charge for the year	11,063	1,174,300	72,821	1,258,184
Relating to disposals	-	-	(56,062)	(56,062)
At 30 March 2011	173,478	4,672,121	156,939	5,002,538
Net book amounts at:				
30 March 2011	£ 1,177,922	£ 5,511,573	£ 220,402	£ 6,909,897
30 March 2010	£ 975,893	£ 4,318,860	£ 143,021	£ 5,437,774

The net book amounts of plant and equipment and motor vehicles include amounts of £3,129,758 (2010 - £1,533,658) and £291,815 (2010 - £143,021) in respect of assets held under finance leases and hire purchase contracts.

11. TANGIBLE FIXED ASSETS (continued)

The company's land and buildings were revalued at £992,500 on an open market existing use basis by Knight Frank LLP Property Consultants, on 19 March 2009. The directors consider this valuation to approximate to the open market value of the relevant assets at 30 March 2011.

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

	2011 £
Historic cost	757,234
Depreciation	109,806
Net book value	£ 647,428

12. FIXED ASSET INVESTMENTS

	Interests in group undertakings £
Company	
COST	
At 31 March 2010	377,802
Reclassification to goodwill (Note 10)	(223,755)
At 30 March 2011	154,047
PROVISION FOR IMPAIRMENT	
At 31 March 2010	31,338
Impairment in the year	122,694
At 30 March 2011	154,032
Net book amounts at:	
30 March 2011	£ 15
30 March 2010	£ 346,464

12. FIXED ASSET INVESTMENTS (continued)

As part of the reorganisation of the Group at 1 August 2010, the net assets of Salar Smokehouse were transferred to the Company at their book value. The cost of the Company's investment reflected the underlying fair value of its net assets and goodwill at the time of its acquisition. As a result of the hive up, the value of the Company's investment in Salar Smokehouse fell below the amount at which it was stated in the Company's accounting records. The Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account.

The directors consider that, as there had been no overall loss to the Group, it would fail to give a true and fair view to charge the full diminution to the Company's profit and loss account and an appropriate amount should instead be re-allocated to goodwill, so as to recognise in the Company's individual balance sheet the effective cost of the goodwill at acquisition. In line with UK GAAP, the investment has been impaired to cover the post acquisition losses of Salar Smokehouse Limited together with the amortisation that has been charged to the profit and loss account in the consolidated accounts of Loch Duart Limited. The effect on the Company's balance sheet is to recognise goodwill of £223,755.

The subsidiary undertakings are:

Salar Smokehouse Limited

County of incorporation:	Scotland
Nature of business:	Smoked salmon processing - dormant from 1 August 2011
Proportion of shares held:	100%

Drumbeg Salmon Limited

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

The Sustainable Salmon Company Limited

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

The Sustainable Food Company Limited

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

Investment held directly by The Sustainable Food Company Limited:

Carnan Smokehouse Limited

Country of incorporation:	Scotland
Nature of business:	Smoked salmon processing - commenced trading March 2011
Proportion of shares held:	75%

13. STOCKS

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Fish	7,557,006	6,689,040	7,557,006	6,667,594
Feed and medicine	189,952	160,651	189,952	160,651
	£ 7,746,958	£ 6,849,691	£ 7,746,958	£ 6,828,245

14. DEBTORS

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade debtors	2,431,171	1,661,352	2,431,171	1,598,966
VAT repayable	365,130	138,282	365,130	135,475
Prepayments and accrued income	367,140	269,748	367,140	266,427
Amounts due from subsidiary	-	-	-	90,301
	£ 3,163,441	£ 2,069,382	£ 3,163,441	£ 2,091,169

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

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Bank overdrafts	670,829	873,300	670,829	873,300
Bank loans (Notes 17 and 24)	104,987	133,937	104,987	133,937
Loan notes (Notes 17 and 24)	150,000	-	150,000	-
Debt factoring account (Note 24)	117,305	883,964	117,305	883,964
Obligations under finance leases and hire purchase contracts	922,467	682,431	922,467	672,877
Trade creditors	3,796,506	3,194,574	3,796,506	3,172,789
Corporation tax	730,786	508,239	730,786	508,000
Amounts due to subsidiary undertaking	-	-	8,701	1,333
Other taxation and social security	385,255	52,371	385,255	48,511
Accruals	367,840	162,113	353,370	153,861
	£ 7,245,975	£ 6,490,929	£ 7,240,206	£ 6,448,572

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

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loan (Notes 17 and 24)	119,761	225,698	119,761	225,698
Obligations under finance leases and hire purchase contracts (between two and five years)	1,220,193	1,400,530	1,220,193	1,394,129
	£ 1,339,954	£ 1,626,228	£ 1,339,954	£ 1,619,827

17. LOANS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Wholly repayable within five years	374,748	359,635	374,748	359,635
Less: included in creditors amounts falling due within one year	(254,987)	(133,937)	(254,987)	(133,937)
	£ 119,761	£ 225,698	£ 119,761	£ 225,698
Amounts repayable:				
In one year or less	254,987	133,937	254,987	133,937
Between one and two years	111,524	111,524	111,524	111,524
Between two and five years	8,237	114,174	8,237	114,174
	£ 374,748	£ 359,635	£ 374,748	£ 359,635

At 30 March 2011 the group had loans as follows:

(a) Repayable by monthly instalments ending in August 2013, bearing interest at 1.85% per annum above HSBC Bank plc base rate.

(b) £150,000 of loan notes is repayable in twelve equal instalments of £12,500 commencing April 2011. Loan notes are interest free.

18. PROVISION FOR LIABILITIES AND CHARGES

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

		Group		Company
	2011	2010	2011	2010
	£	£	£	£
As at 31 March 2010	218,489	124,234	215,021	120,766
Released in year	(17,468)	94,255	(14,000)	94,255
At 31 March 2011	£ 201,021	£ 218,489	£ 201,021	£ 215,021

Deferred tax provided and not provided in the financial statements are as follows:

		Group		Company
	2011	2010	2011	2010
Capital allowances in advance of depreciation	229,265	218,489	229,265	215,021
Other short term differences	(28,244)	-	(28,244)	-
	£ 201,021	£ 218,489	£ 201,021	£ 215,021

19. DEFERRED INCOME

		Group Deferred grants		Company Deferred grants
	2011	2010	2011	2010
	£	£	£	£
At 31 March 2010	666,122	461,350	666,122	461,350
Received during the year	254,903	332,035	254,903	332,035
Released to profit and loss account	(110,864)	(127,263)	(110,864)	(127,263)
At 30 March 2011	£ 810,161	£ 666,122	£ 810,161	£ 666,122

20. CALLED UP SHARE CAPITAL

	Group & Company 2011 & 2010 £
Allotted, called up and fully paid:	
Ordinary shares of £1 each	103,646
Preference shares of £1 each	63,020
	£ 166,666

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

(a) A dividend accruing at an annual rate equivalent to 8% of the price at which the preference shares were acquired, but payable only in the event of a sale or liquidation (and only if the preference shares had not been converted into Ordinary shares);

(b) The right to share pro-rata in any dividend declared on the Ordinary shares (as if the preference shares had been converted into Ordinary shares);

(c) A preference on liquidation or sale in respect of the amount paid by the investors when they acquired their shares, plus the amount of the accrued dividend referred to at (a) above;

(d) The right to convert into Ordinary shares on terms which ensure that the preference shareholders do not see any dilution in their overall shareholding percentage. In the event of conversion, the accrued dividend referred to at (a) above and the preference referred to at (c) above would not be applied. If the company performs as expected it is likely that the conversion would take place;

(e) Rights to appoint up to two directors;

(f) A number of occasions, particularly relating to matters regarding the company's shares, where the consent of the preference shareholders is required.

21. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
Group					
At 30 March 2009	166,666	283,334	2,772,170	3,968,387	7,190,557
Profit for the year	-	-	-	1,551,212	1,551,212
Surplus on revaluation	-	-	(11,213)	11,213	-
At 30 March 2010	166,666	283,334	2,760,957	5,530,812	8,741,769
Profit for the year				4,476,936	4,476,936
Dividends	-	-	-	(6,240)	(6,240)
Release of revaluation reserve	-	-	(2,802)	2,802	-
At 30 March 2011	£ 166,666	£ 283,334	£ 2,758,155	£ 10,004,310	£ 13,212,465
Company					
At 30 March 2009	166,666	283,334	2,772,170	4,032,679	7,254,849
Profit for the year	-	-	-	1,584,830	1,584,830
Surplus on revaluation	-	-	(11,213)	11,213	-
At 30 March 2010	166,666	283,334	2,760,957	5,628,722	8,839,679
Profit for the year	-	-	-	4,384,810	4,384,810
Dividends	-	-	-	(6,240)	(6,240)
Release of revaluation reserve	-	-	(2,802)	2,802	-
At 30 March 2011	£ 166,666	£ 283,334	£ 2,758,155	£ 10,010,094	£ 13,218,249

22. OTHER FINANCIAL COMMITMENTS

At 30 March 2011 the annual commitments under non-cancellable operating leases were as follows:

	Land and buildings		Other	
	2011 £	2010 £	2011 £	2010 £
Group				
Operating leases which expire:				
In less than one year	-	4,921	-	-
Within two to five years	14,050	-	2,107	2,402
In over five years	107,657	72,657	-	-
	£ 121,707	£ 77,578	£ 2,107	£ 2,402
Company				
Operating leases which expire:				
In less than one year	-	4,921	-	-
Within two to five years	14,050	-	2,107	1,715
In over five years	107,657	72,657	-	-
	£ 121,707	£ 77,578	£ 2,107	£ 1,715

23. CAPITAL COMMITMENTS

		Group		Company
	2011	2010	2011	2010
Contracted for, but not provided	£ 662,889	£ 307,483	£ 662,889	£ 307,483

24. SECURITIES

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

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

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

The securities are subject to a ranking agreement.

A cross guarantee is in place between the company and Drumbeg Salmon Limited. At 30 March 2011 Drumbeg Salmon Limited had bank borrowings of £nil.

25. 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:-

		2011		2010
	No	£	No	£
Outstanding at 31 March 2010 and 30 March 2011	8,000	120,400	8,000	120,400
Exercisable at 30 March 2011	5,000	75,250	3,500	52,675

Share options remaining outstanding at 30 March 2011 are exercisable at £15.05. In the directors' opinion the fair value of the share options when they were forecast to be exercised was not materially different from the market value.

26. RELATED PARTIES

Control

Throughout the year the company was controlled by the directors.

Transactions

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

26. RELATED PARTIES (continued)

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

Related party	**Transaction**	**£**	**Balance at year end £**
Scourie Estate, owned by family of one of the directors	Rental of land and buildings	42,000	-

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating profit	1,866,391	2,434,337
Gain on disposal of fixed assets	(8,982)	(869)
Depreciation	1,263,777	900,659
Amortisation	25,418	25,418
Increase in stocks	(897,267)	(2,319,416)
Increase/(decrease) in debtors	(1,094,059)	128,747
Increase in creditors	1,140,543	467,838
Deferred grant release	(110,864)	(127,263)
Other cash operating activities	4,650,000	-
Net cash inflow from operating activities	£ 6,834,957	£ 1,509,451

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

	2011	2010
	£	£
Returns on investments and servicing of finance		
Interest received	44	137
Interest paid	(316,798)	(240,913)
Net cash outflow from returns on investments and servicing of finance	£ (316,754)	£ (240,776)
Capital expenditure		
Purchase of tangible fixed assets	(1,871,296)	(785,793)
Payments to acquire intangible fixed assets	(195,000)	(165,000)
Sale of fixed assets	27,862	20,972
Receipts of capital grants	254,903	332,035
Net cash outflow from capital expenditure	£ (1,783,531)	£ (597,786)
Acquisitions and disposals		
Receipts from warranty claim	-	20,000
Net cash inflow from acquisitions and disposals	£ -	£ 20,000
Financing		
New long term loans	300,000	-
Repayment of loans	(134,887)	(236,657)
Repayment of loan notes	(150,000)	(300,000)
Capital element of finance lease rental payments	(775,166)	(552,170)
Net cash outflow from financing	£ (760,053)	£ (1,088,827)

29. ANALYSIS OF NET DEBT

	At 30 March 2010	Cash flow	Other changes	At 30 March 2011
	£	£	£	£
Cash at bank and in hand	94,323	1,481,627	-	1,575,950
Invoice discounting	(883,964)	766,659	-	(117,305)
Bank overdraft	(873,300)	202,471	-	(670,829)
Debt due after one year	(225,698)	105,937	-	(119,761)
Debt due within one year	(133,937)	(121,050)	-	(254,987)
Hire purchase	(2,082,961)	775,166	(834,865)	(2,142,660)
	£ (4,105,537)	£ 3,210,810	£ (834,865)	£ (1,729,592)

30. 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.