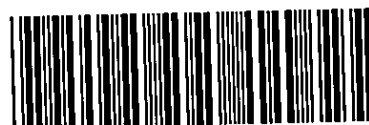


LOCH DUART LIMITED
(Company Number: 195923)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 MARCH 2010

THURSDAY



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SCT 23/12/2010 58
COMPANIES HOUSE

Anderson Anderson & Brown LLP
Chartered Accountants

Directors: A J Balfour
 A J C Bing
 N H Joy
 Dr A Barbour
 T O'Shea
 A Williamson
 M Woods
 A Anderson
 B Uphoff (Resigned 1 June 2010)
 B Demeroutis (Appointed 1 June 2010)

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 2010.

RESULTS AND DIVIDENDS

The consolidated profit for the year, amounting to £1,551,212 (2009 - £5,010) has been dealt with as shown in the consolidated profit and loss account. No dividends were paid during the year (2009 - £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 £1,551,212, which is significantly ahead of budget. This is particularly pleasing in light of the company's ongoing legal action following a third party diesel spill in 2008, which impacted not only the results in that period, but continues to affect many aspects of our continuing operation.

Despite this, and other challenging factors affecting our industry, the Directors are pleased to report our Uist operation is beginning to show the promise we intended and the extra volume will help satisfy the huge demand for our fish worldwide.

However the Directors acknowledge that with out the support and hard work of our staff, at all locations, we would not be able to produce the results we report today.

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 94 staff at 30 March 2010. 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



Secretary - A Balfour

18 AUGUST 2010 Date

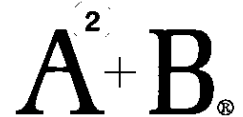
The directors are responsible for preparing the Directors' and the financial statements in accordance with applicable law and regulations.

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 2010 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 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.

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 2010 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

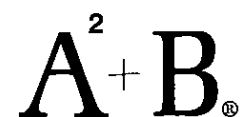
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

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

18 August 2010

LOCH DUART LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MARCH 2010

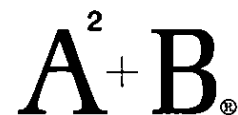


| | Note | 2010 £ | 2009 £ |
|--------------------------------------|------|--------------------|-------------------|
| TURNOVER | 2 | 15,377,130 | 14,104,372 |
| Operating costs | | <u>12,942,793</u> | <u>13,862,862</u> |
| NET OPERATING PROFIT | 3 | 2,434,337 | 241,510 |
| Interest receivable | | 137 | 573 |
| Interest payable and similar charges | 6 | <u>(240,913)</u> | <u>(212,659)</u> |
| PROFIT BEFORE TAXATION | | 2,193,561 | 29,424 |
| Taxation | 7 | <u>642,349</u> | <u>24,414</u> |
| PROFIT AFTER TAXATION | | <u>£ 1,551,212</u> | <u>£ 5,010</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
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 MARCH 2010

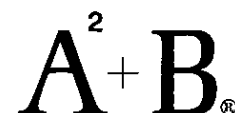


| | 2010 £ | 2009 £ |
|--|--------------------|--------------------|
| Note | | |
| Profit for the financial year | 1,551,212 | 5,010 |
| Unrealised surplus on revaluation of properties and sea sites | - | 2,772,170 |
| TOTAL RECOGNISED GAINS IN THE YEAR | £ 1,551,212 | £ 2,777,180 |

NOTE OF CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 30 MARCH 2010


| | 2010 £ | 2009 £ |
|--|--------------------|-----------------|
| Reported profit on ordinary activities before tax | 2,193,561 | 29,424 |
| Differences between historical cost depreciation charge and actual depreciation charge for the year | 11,213 | - |
| Historical cost profit on ordinary activities before Taxation | £ 2,204,774 | £ 29,424 |
| Historical cost profit for the year retained after taxation and dividends | £ 1,562,425 | £ 5,010 |

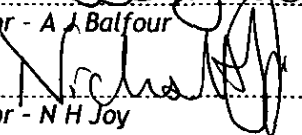
LOCH DUART LIMITED
 CONSOLIDATED BALANCE SHEET - 30 MARCH 2010



| | Note | 2010 £ | 2009 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 3,243,748 | 3,124,166 |
| Tangible assets | 10 | 5,486,393 | 4,967,331 |
| | | <u>8,730,141</u> | <u>8,091,497</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 6,849,691 | 4,530,275 |
| Debtors | 13 | 2,069,382 | 2,198,129 |
| Cash at bank and in hand | | 94,323 | 1,134,128 |
| | | <u>9,013,396</u> | <u>7,862,532</u> |
| CREDITORS: <i>amounts falling due within one year</i> | 14 | 6,490,929 | 6,358,363 |
| NET CURRENT ASSETS | | <u>2,522,467</u> | <u>1,504,169</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 11,252,608 | 9,595,666 |
| CREDITORS: <i>amounts falling due after more than one year</i> | 15 | 1,626,228 | 1,819,525 |
| PROVISION FOR LIABILITIES AND CHARGES | 17 | 218,489 | 124,234 |
| DEFERRED INCOME | 18 | 666,122 | 461,350 |
| | | <u>£ 8,741,769</u> | <u>£ 7,190,557</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 166,666 | 166,666 |
| Share premium account | 20 | 283,334 | 283,334 |
| Revaluation reserve | 20 | 2,760,957 | 2,772,170 |
| Profit and loss account | 20 | 5,530,812 | 3,968,387 |
| SHAREHOLDERS' FUNDS | 20 | <u>£ 8,741,769</u> | <u>£ 7,190,557</u> |

Signed on behalf of the board of directors


 Director - A J Balfour


 Director - N H Joy

18 AUGUST 2010 Date

| | Note | 2010 £ | 2009 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 3,019,993 | 2,854,993 |
| Tangible assets | 10 | 5,437,774 | 4,922,897 |
| Investments | 11 | 346,464 | 366,464 |
| | | <u>8,804,231</u> | <u>8,144,354</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 6,828,245 | 4,516,200 |
| Debtors | 13 | 2,091,169 | 2,171,972 |
| Cash at bank and in hand | | 65,576 | 1,112,342 |
| | | <u>8,984,990</u> | <u>7,800,514</u> |
| CREDITORS: <i>amounts falling due within one year</i> | 14 | 6,448,572 | 6,299,457 |
| NET CURRENT ASSETS | | <u>2,536,418</u> | <u>1,501,057</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>11,340,649</u> | <u>9,645,411</u> |
| CREDITORS: <i>amounts falling due after more than one year</i> | 15 | 1,619,827 | 1,808,446 |
| PROVISION FOR LIABILITIES AND CHARGES | 17 | 215,021 | 120,766 |
| DEFERRED INCOME | 18 | 666,122 | 461,350 |
| | | <u>£ 8,839,679</u> | <u>£ 7,254,849</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 166,666 | 166,666 |
| Share premium account | 20 | 283,334 | 283,334 |
| Revaluation reserve | 20 | 2,760,957 | 2,772,170 |
| Profit and loss account | 20 | 5,628,722 | 4,032,679 |
| SHAREHOLDERS' FUNDS | 20 | <u>£ 8,839,679</u> | <u>£ 7,254,849</u> |

Signed on behalf of the board of directors

Director - A J Balfour

Director - N H Joy

18 AUGUST 2010 Date

LOCH DUART LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 MARCH 2010

A²+B[®]

| | Note | 2010 £ | 2009 £ |
|---|------|--------------------|----------------------|
| Cash inflow/(outflow) from operating activities | 26 | 1,509,451 | (270,134) |
| Return on investments and servicing of finance | 27 | (240,776) | (212,086) |
| Taxation | | (39,855) | (251,771) |
| Capital expenditure | 27 | (597,786) | (1,464,167) |
| Acquisitions and disposals | 27 | 20,000 | (242,920) |
| Cash outflow before financing | | 651,034 | (2,441,078) |
| Financing - decrease in debt | 27 | (1,088,827) | (248,898) |
| Decrease in cash in the year | | £ (437,793) | £ (2,689,976) |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | Note | 2010 £ | 2009 £ |
|--|------|----------------------|----------------------|
| Decrease in cash in the year | | (437,793) | (2,689,976) |
| Cash outflow from increase in debt | | 1,088,827 | 248,895 |
| Change in net debt resulting from cash flows | | 651,034 | (2,441,081) |
| New hire purchase | | (654,031) | (1,813,391) |
| Movement in net debt in year | | (2,997) | (4,254,472) |
| Net (debt)/funds at 30 March 2009 | 28 | (4,102,540) | 151,932 |
| Net debt at 30 March 2010 | 28 | £ (4,105,537) | £ (4,102,540) |

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.

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:*

| | 2010 £ | 2009 £ |
|---|--------------------|--------------------|
| Government grants released | (127,263) | (79,447) |
| Amortisation | 25,418 | 145,013 |
| Depreciation - owned assets | 360,995 | 417,022 |
| - assets held under hire purchase and finance leases | 539,671 | 314,303 |
| Auditors' remuneration | 21,500 | 18,000 |
| Leasehold property rents | (14,846) | (17,905) |
| Gain on sale of assets | (869) | (3,129) |
| | <u>£ 2,173,719</u> | <u>£ 1,943,994</u> |

4. STAFF COSTS AND NUMBERS

| | 2010 £ | 2009 £ |
|-----------------------|--------------------|--------------------|
| Wages and salaries | 1,974,108 | 1,758,727 |
| Social security | 184,128 | 170,374 |
| Pension contributions | 15,483 | 14,893 |
| | <u>£ 2,173,719</u> | <u>£ 1,943,994</u> |

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

| | 2010 No | 2009 No |
|----------------|------------|------------|
| Management | 11 | 11 |
| Administration | 9 | 9 |
| Operations | 74 | 74 |
| | <u>94</u> | <u>94</u> |

5. DIRECTORS' EMOLUMENTS

| | 2010 £ | 2009 £ |
|---|------------------|------------------|
| Emoluments (including benefits in kind) | 397,588 | 411,137 |
| Pension contributions | 10,332 | 10,332 |
| | <u>£ 407,920</u> | <u>£ 421,469</u> |

The company contributed to a defined contribution pension scheme on behalf of one director (2009 - one).

The amount payable in the year in respect of the highest paid director was £94,324 (2009 - £96,531).

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2010 £ | 2009 £ |
|---|------------------|------------------|
| Bank interest | 66,994 | 76,549 |
| Hire purchase and finance lease interest | 111,017 | 63,039 |
| Loan interest | 62,902 | 73,071 |
| | <u>£ 240,913</u> | <u>£ 212,659</u> |

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

| | 2010 £ | 2009 £ |
|-------------------------------------|------------------|-----------------|
| UK corporation tax | 508,000 | (1,094) |
| Transfer to deferred tax | 100,000 | 24,163 |
| | <u>608,000</u> | <u>23,069</u> |
| Adjustments relating to prior year: | | |
| Corporation tax | 40,094 | (2,846) |
| Deferred tax | (5,745) | 4,191 |
| | <u>£ 642,349</u> | <u>£ 24,414</u> |

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:

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | <u>2,194</u> | <u>29</u> |
| Tax at 28% (2009 - 21%) thereon | 614 | 6 |
| Expenses not deductible for tax purposes | (14) | - |
| Capital allowances in excess of depreciation | (105) | - |
| Adjustment to prior year | 40 | - |
| Other | 13 | (10) |
| Corporation tax charge | <u>548</u> | <u>(4)</u> |

8. 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 £1,584,830 (2009 - £2,320,540) has been dealt with in the financial statements of the company.

9. INTANGIBLE FIXED ASSETS

| | Sea sites £ | Goodwill £ | Total £ |
|------------------------------|--------------------|------------------|--------------------|
| Group | | | |
| COST OR VALUATION | | | |
| At 31 March 2009 | 2,977,062 | 317,185 | 3,294,247 |
| Additions | 165,000 | - | 165,000 |
| Reduction for warranty claim | - | (20,000) | (20,000) |
| At 30 March 2010 | <u>3,142,062</u> | <u>297,185</u> | <u>3,439,247</u> |
| AMORTISATION | | | |
| At 31 March 2009 | 122,069 | 48,012 | 170,081 |
| Charge for year | - | 25,418 | 25,418 |
| At 30 March 2010 | <u>122,069</u> | <u>73,430</u> | <u>195,499</u> |
| Net book amounts at: | | | |
| 30 March 2010 | <u>£ 3,019,993</u> | <u>£ 223,755</u> | <u>£ 3,243,748</u> |
| 30 March 2009 | <u>£ 2,854,993</u> | <u>£ 302,664</u> | <u>£ 3,124,166</u> |

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

| | Sea sites £ |
|------------------------------------|--------------------|
| Company | |
| COST OR VALUATION | |
| At 31 March 2009 | 2,977,062 |
| Additions | 165,000 |
| At 30 March 2010 | <u>3,142,062</u> |
| AMORTISATION | |
| At 31 March 2009 and 30 March 2010 | <u>122,069</u> |
| Net book amounts at: | |
| 30 March 2010 | <u>£ 3,019,993</u> |
| 30 March 2009 | <u>£ 2,854,993</u> |

10. TANGIBLE FIXED ASSETS

| | Land & buildings £ | Plant & equipment £ | Motor vehicles £ | Total £ |
|--------------------------|--------------------------|---------------------------|------------------------|-------------|
| Group | | | | |
| COST OR VALUATION | | | | |
| At 31 March 2009 | 1,111,312 | 6,593,992 | 278,517 | 7,983,821 |
| Additions | 26,996 | 1,330,825 | 82,010 | 1,439,831 |
| Disposals | - | (10,000) | (77,326) | (87,326) |
| At 30 March 2010 | 1,138,308 | 7,914,817 | 283,201 | 9,336,326 |
| DEPRECIATION | | | | |
| At 31 March 2009 | 118,447 | 2,752,413 | 145,630 | 3,016,490 |
| Charge for the year | 43,968 | 800,095 | 56,603 | 900,666 |
| Relating to disposals | - | (5,170) | (62,053) | (67,223) |
| At 30 March 2010 | 162,415 | 3,547,338 | 140,180 | 3,849,933 |
| Net book amounts at: | | | | |
| 30 March 2010 | £ 975,893 | £ 4,367,479 | £ 143,021 | £ 5,486,393 |
| 30 March 2009 | £ 992,865 | £ 3,841,579 | £ 132,887 | £ 4,967,331 |

The net book amounts of plant and equipment and motor vehicles includes amounts of £1,533,658 (2009 - £2,103,160) and £165,006 (2009 - £131,844) 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 2009 | 1,111,312 | 6,514,758 | 278,517 | 7,904,587 |
| Additions | 26,996 | 1,301,923 | 82,010 | 1,410,929 |
| Disposals | - | - | (77,326) | (77,326) |
| At 30 March 2010 | 1,138,308 | 7,816,681 | 283,201 | 9,238,190 |
| DEPRECIATION | | | | |
| At 31 March 2009 | 118,447 | 2,717,613 | 145,630 | 2,981,690 |
| Charge for the year | 43,968 | 780,208 | 56,603 | 880,779 |
| Relating to disposals | - | - | (62,053) | (62,053) |
| At 30 March 2010 | 162,415 | 3,497,821 | 140,180 | 3,800,416 |
| Net book amounts at: | | | | |
| 30 March 2010 | £ 975,893 | £ 4,318,860 | £ 143,021 | £ 5,437,774 |
| 30 March 2009 | £ 992,865 | £ 3,797,145 | £ 132,887 | £ 4,922,897 |

The net book amounts of plant and equipment and motor vehicles include amounts of £1,533,658 (2009 - £2,081,628) and £143,021 (2009 - £131,844) in respect of assets held under finance leases and hire purchase contracts.

10. TANGIBLE FIXED ASSETS (continued)

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

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

| | 2009 £ |
|----------------|------------------|
| Historic cost | 544,142 |
| Depreciation | 98,743 |
| Net book value | <u>£ 445,399</u> |

11. FIXED ASSET INVESTMENTS

| | Interests in group undertakings £ |
|---|--|
| Company | |
| COST | |
| At 31 March 2009 | 397,802 |
| Reduction in cost due to warranty claim | (20,000) |
| At 30 March 2010 | <u>377,802</u> |
| PROVISION FOR IMPAIRMENT | |
| At 31 March 2009 and 30 March 2010 | <u>(31,338)</u> |
| Net book amounts at: | |
| 30 March 2010 | <u>£ 346,464</u> |
| 30 March 2009 | <u>£ 366,464</u> |

11. FIXED ASSET INVESTMENTS (continued)

The subsidiary undertakings are:

Salar Smokehouse Limited

Country of incorporation: Scotland
Nature of business: Smoked salmon processing
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%

12. STOCKS

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|-------------------|--------------------|--------------------|--------------------|----------------------|
| Fish | 6,689,040 | 4,410,993 | 6,667,594 | 4,396,918 |
| Feed and medicine | 160,651 | 119,282 | 160,651 | 119,282 |
| | <u>£ 6,849,691</u> | <u>£ 4,530,275</u> | <u>£ 6,828,245</u> | <u>£ 4,516,200</u> |

13. DEBTORS

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|--------------------------------|--------------------|--------------------|--------------------|----------------------|
| Trade debtors | 1,661,352 | 1,729,450 | 1,598,966 | 1,668,229 |
| VAT repayable | 138,282 | 54,206 | 135,475 | 54,206 |
| Prepayments and accrued income | 269,748 | 414,473 | 266,427 | 410,921 |
| Amounts due from subsidiary | - | - | 90,301 | 38,616 |
| | <u>£ 2,069,382</u> | <u>£ 2,198,129</u> | <u>£ 2,091,169</u> | <u>£ 2,171,972</u> |

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

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|---|--------------------|--------------------|--------------------|----------------------|
| Bank overdrafts | 873,300 | 1,677,564 | 873,300 | 1,677,564 |
| Bank loans (Notes 16 and 23) | 133,937 | 505,030 | 133,937 | 505,030 |
| Debt factoring account (Note 23) | 883,964 | 681,712 | 883,964 | 681,712 |
| Obligations under finance leases and hire purchase contracts | 682,431 | 552,837 | 672,877 | 545,449 |
| Trade creditors | 3,194,574 | 2,365,785 | 3,172,789 | 2,328,762 |
| Corporation tax | 508,239 | - | 508,000 | - |
| Amounts due to subsidiary undertaking | - | - | 1,333 | - |
| Other taxation and social security | 52,371 | 49,047 | 48,511 | 44,564 |
| Accruals | 162,113 | 526,388 | 153,861 | 516,376 |
| | <u>£ 6,490,929</u> | <u>£ 6,358,363</u> | <u>£ 6,448,572</u> | <u>£ 6,299,457</u> |

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

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|---|--------------------|--------------------|--------------------|----------------------|
| Bank loan (Notes 16 and 23) | 225,698 | 391,262 | 225,698 | 391,262 |
| Obligations under finance leases and hire purchase contracts (between two and five years) | 1,400,530 | 1,428,263 | 1,394,129 | 1,417,184 |
| | <u>£ 1,626,228</u> | <u>£ 1,819,525</u> | <u>£ 1,619,827</u> | <u>£ 1,808,446</u> |

16. LOANS

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|--|------------------|--------------------|------------------|----------------------|
| Wholly repayable within five years | 359,635 | 896,292 | 359,635 | 896,292 |
| Less: included in creditors amounts falling due within one year | (133,937) | (505,030) | (133,937) | (505,030) |
| | <u>£ 225,698</u> | <u>£ 391,262</u> | <u>£ 225,698</u> | <u>£ 391,262</u> |
| <i>Amounts repayable:</i> | | | | |
| In one year or less | 133,937 | 505,030 | 133,937 | 505,030 |
| Between one and two years | 111,524 | 163,858 | 111,524 | 163,858 |
| Between two and five years | 114,174 | 227,404 | 114,174 | 227,404 |
| | <u>£ 359,635</u> | <u>£ 896,292</u> | <u>£ 359,635</u> | <u>£ 896,292</u> |

At 30 March 2010 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) £312,500 of the loan notes are repayable in one instalment 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:

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|---------------------|------------------|--------------------|------------------|----------------------|
| As at 31 March 2009 | 124,234 | 90,766 | 120,766 | 51,915 |
| Charge for year | 94,255 | 33,468 | 94,255 | 30,000 |
| Hive up | - | - | - | 38,851 |
| At 31 March 2010 | <u>£ 218,489</u> | <u>£ 124,234</u> | <u>£ 215,021</u> | <u>£ 120,766</u> |

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

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|--|------------------|--------------------|------------------|----------------------|
| Capital allowances in advance of depreciation | <u>£ 218,489</u> | <u>£ 124,234</u> | <u>£ 215,021</u> | <u>£ 120,766</u> |

18. DEFERRED INCOME

| | 2010 £ | Group Deferred grants 2009 £ | 2010 £ | Company Deferred grants 2009 £ |
|--|------------------|---------------------------------------|------------------|---|
| At 31 March 2009 | 461,350 | 157,993 | 461,350 | 157,993 |
| Received during the year | 332,035 | 322,384 | 332,035 | 322,384 |
| Hive up | - | 60,420 | - | 60,420 |
| Released to profit and loss account | <u>(127,263)</u> | <u>(79,447)</u> | <u>(127,263)</u> | <u>(79,447)</u> |
| At 30 March 2010 | <u>£ 666,122</u> | <u>£ 461,350</u> | <u>£ 666,122</u> | <u>£ 461,350</u> |

19. CALLED UP SHARE CAPITAL

Group & Company
2010 & 2009
£

Allotted, called up and fully paid:

| | |
|------------------------------|-----------|
| Ordinary shares of £1 each | 103,646 |
| Preference shares of £1 each | 63,020 |
| | <hr/> |
| | £ 166,666 |
| | <hr/> |

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.

20. RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES

| | Share capital £ | Share premium £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|-----------------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------|--------------------|
| Group | | | | | |
| At 30 March 2008 | 166,666 | 283,334 | - | 3,963,377 | 4,413,377 |
| Profit for the year | - | - | - | 5,010 | 5,010 |
| Surplus on revaluation | - | - | 2,772,170 | - | 2,772,170 |
| 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 |
| Release of revaluation reserve | - | - | (11,213) | 11,213 | - |
| At 30 March 2010 | <u>£ 166,666</u> | <u>£ 283,334</u> | <u>£ 2,760,957</u> | <u>£ 5,530,812</u> | <u>£ 8,741,769</u> |
| Company | | | | | |
| At 30 March 2008 | 166,666 | 283,334 | - | 1,712,139 | 2,162,139 |
| Surplus on revaluation | - | - | 2,772,170 | - | 2,772,210 |
| Profit for the year | - | - | - | 2,320,540 | 2,320,540 |
| 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 |
| Release of revaluation reserve | - | - | (11,213) | 11,213 | - |
| At 30 March 2010 | <u>£ 166,666</u> | <u>£ 283,334</u> | <u>£ 2,760,957</u> | <u>£ 5,628,722</u> | <u>£ 8,839,679</u> |

21. OTHER FINANCIAL COMMITMENTS

At 30 March 2010 the annual commitments under non-cancellable operating leases were as follows:

| | Land and buildings | | | Other |
|---------------------------------------|--------------------|------------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ |
| Group | | | | |
| <i>Operating leases which expire:</i> | | | | |
| In less than one year | 4,921 | 100,000 | - | 1,191 |
| Within two to five years | - | 6,350 | 2,402 | 859 |
| In over five years | 72,657 | 72,657 | - | - |
| | <u>£ 77,578</u> | <u>£ 179,007</u> | <u>£ 2,402</u> | <u>£ 2,050</u> |
| Company | | | | |
| <i>Operating leases which expire:</i> | | | | |
| In less than one year | 4,921 | 100,000 | - | 1,191 |
| Within two to five years | - | 6,350 | 1,715 | 859 |
| In over five years | 72,657 | 72,657 | - | - |
| | <u>£ 77,578</u> | <u>£ 179,007</u> | <u>£ 1,715</u> | <u>£ 2,050</u> |

22. CAPITAL COMMITMENTS

| | 2010 | Group 2009 | 2010 | Company 2009 |
|----------------------------------|------------------|------------------|------------------|------------------|
| Contracted for, but not provided | <u>£ 307,483</u> | <u>£ 300,000</u> | <u>£ 307,483</u> | <u>£ 300,000</u> |

23. SECURITIES

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

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

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

The securities are subject to a ranking agreement.

A cross guarantee is in place between the company and Drumbeg Salmon Limited. At 30 March 2010 Drumbeg Salmon Limited had bank borrowings of £nil.

24. SHARE-BASED PAYMENT ARRANGEMENTS

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

| | No | 2010 £ | No | 2009 £ |
|---|--------------|----------------|--------------|----------------|
| Outstanding at 31 March 2009 and 30 March 2010 | <u>8,000</u> | <u>120,400</u> | <u>8,000</u> | <u>120,400</u> |
| Exercisable at 30 March 2010 | <u>3,500</u> | <u>52,675</u> | <u>2,000</u> | <u>30,100</u> |

Share options remaining outstanding at 30 March 2010 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.

25. 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.

25. RELATED PARTIES (Continued)

During the year the company had the following transactions with 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 | - |

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

| | 2010 £ | 2009 £ |
|--|--------------------|--------------------|
| Operating profit | 2,434,337 | 241,510 |
| Gain on disposal of fixed assets | (869) | (3,129) |
| Depreciation | 900,659 | 731,323 |
| Amortisation | 25,418 | 145,013 |
| Increase in stocks | (2,319,416) | (832,356) |
| Decrease/(increase) in debtors | 128,747 | (280,586) |
| Increase/(decrease) in creditors | 467,838 | (192,462) |
| Deferred grant release | (127,263) | (79,447) |
| Net cash inflow/(outflow) from operating activities | £ 1,509,451 | £ (270,134) |

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

| | 2010 £ | 2009 £ |
|--|----------------------|----------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 137 | 573 |
| Interest paid | (240,913) | (212,659) |
| Net cash outflow from returns on investments and servicing of finance | <u>£ (240,776)</u> | <u>£ (212,086)</u> |
| Capital expenditure | | |
| Purchase of tangible fixed assets | (785,793) | (1,043,615) |
| Payments to acquire intangible fixed assets | (165,000) | (772,062) |
| Sale of fixed assets | 20,972 | 29,126 |
| Receipts of capital grants | 332,035 | 322,384 |
| Net cash outflow from capital expenditure | <u>£ (597,786)</u> | <u>£ (1,464,167)</u> |
| Acquisitions and disposals | | |
| Cash acquired with subsidiary | - | 31,499 |
| Payments to acquire subsidiary | - | (274,419) |
| Receipts from warranty claim | 20,000 | |
| Net cash inflow/(outflow) from acquisitions and disposals | <u>£ 20,000</u> | <u>£ (242,920)</u> |
| Financing | | |
| New long term loans | - | 499,000 |
| Repayment of loans | (236,657) | (186,834) |
| Repayment of loan notes | (300,000) | (267,500) |
| Capital element of finance lease rental payments | (552,170) | (293,564) |
| Net cash outflow from financing | <u>£ (1,088,827)</u> | <u>£ (248,898)</u> |

28. ANALYSIS OF NET DEBT

| | At 30 March 2009 £ | Cash flow £ | Other changes £ | At 30 March 2010 £ |
|--------------------------|-----------------------------|-------------------|-----------------------|-----------------------------|
| Cash at bank and in hand | 1,134,128 | (1,039,805) | - | 94,323 |
| Invoice discounting | (681,712) | (202,252) | - | (883,964) |
| Bank overdraft | (1,677,564) | 804,264 | - | (873,300) |
| Debt due after one year | (362,163) | 136,465 | - | (225,698) |
| Debt due within one year | (534,129) | 400,192 | - | (133,937) |
| Hire purchase | (1,981,100) | 552,170 | (654,031) | (2,082,961) |
| | <u>£ (4,102,540)</u> | <u>£ 651,034</u> | <u>£ (654,031)</u> | <u>£ (4,105,537)</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.