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Lithgows Limited

Report and Financial Statements 2007

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT

2007 has proved to be a further challenging year for many of the activities within the Group, and I am therefore pleased to be able to report a pre-tax profit for the year. Indeed, when the figures for the previous year are adjusted to remove the exceptional income reported on the waiver of a loan balance, the profit for 2007 shows an increase on that reported for 2006

We have also taken the opportunity to revalue certain classes of fixed assets held within the Group, and to value investments under the alternative accounting rules in accordance with the Companies Act 1985 This significantly strengthens our Balance Sheet, which is now more truly reflective of the value and covenant of the Group's assets

The market in which our salmon farming company operates has remained reasonably stable over the last year, continuing to benefit from the establishment of a European minimum import price The industry within Scotland continues to consolidate, but demand for the company's product remains strong It has obtained notable success in improving the quality and performance of its stocks, benefiting from the breeding programme that the Landcatch group of companies has established over a number of years, and we remain confident that this will lead to increased demand for our stocks

The Chilean industry has faced some considerable difficulties in the course of 2007, but it continues to move forward at a pace Our joint venture company, Landcatch Chile SA, was impacted by the general problems encountered by the Chilean salmon industry and this reduced the level of its reported profitability for 2007 However, with the acquisition of additional production facilities, it is participating fully in the growth of the Chilean industry, and with the strengths of the Landcatch breeding programme underpinning it, it is well placed to benefit strongly from this.

The level of investment activity in which Prosper operates, through directly owned and joint venture companies, is currently significant Customers, both existing and potential, have a large number of contracts ongoing and planned for the future. Confidence has been boosted by the high energy and global oil prices, and competitive pricing remains a feature The UK market has continued to be strongly impacted by the importation of cheaper manufactured product from the Far East. In response to this, Prosper Group has established, through joint ventures, facilities overseas, which assist in the sourcing, testing and supply of suitably qualified raw material and fully finished product These new facilities, allied to production facilities in the UK, will enable the Prosper Group of companies to be a worldwide player in the manufacture and supply of studbolts, nuts and bar By continuing to progress with the establishment of trading links with other partners and major customers, they will have a significant degree of influence in the markets of Europe, USA and the Far East.

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT
(continued)

Whilst its high quality facilities and resources have been invaluable in attracting work from new customers in the commercial sector, Buckie Shipyard experienced a further disappointing year, with the level of direct hours obtained being insufficient to enable profitability to be earned on a regular and sustained basis

Our electrical contracting business, McKinlay & Blair, has traded well during the year, as well as being an invaluable support to other Group operations The hydro scheme operating in The Marine Resource Centre at Barcaldine continues to generate increased levels of profitability, and projects for the development of further renewable energy schemes on the site in the near future remain under consideration, given the recent changes to the incentives to generate renewable energy

Our property assets and investments continue to be actively managed for long term capital growth, reflected in the revaluations that have taken place, and opportunities are being progressed in order to maximise further shareholder value

JAMES F LITHGOW
Chairman

March 17, 2008

LITHGOWS LIMITED

Directors

Mr J F Lithgow * *(Chairman)*

Mr J A Lithgow* (*Deputy Chairman)*

Mr. H.M. Currie *(Managing Director)*

Mr. F G Hogg*+

The Rt Hon Lord Lang of Monkton+

Mr A R Reid *(Company Secretary)*

Mr S L Rickman*+

Mr A W C Wishart *(Finance Director)*

* Denotes a member of the Audit Committee
\+ Denotes non executive

Registered Office

Netherton
Langbank
Renfrewshire
PA14 6YG

LITHGOWS LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended December 31, 2007

Results and dividends

The Group trading profit for the year before taxation amounted to £161,000

Dividends of £3,088 were paid during the year, and these have been deducted from reserves

Review of the business

The Group's principal operating subsidiaries and their activities during the year are shown on page 26 Lithgows Limited is the holding company for the Group. Comments on the results for the year and on future developments are contained in the Chairman's statement on pages 1 and 2.

Directors and their interests

The directors as at December 31, 2007 are stated on page 3

The director who retires from the board by rotation at the next Annual General Meeting is The Rt Hon. Lord Lang of Monkton who, being eligible, offers himself for re-election

The following directors had the undernoted interests in the ordinary and preference share capital of Lithgows Limited at December 31, 2007 and at December 31, 2006, or date of appointment, if later.

	Ordinary shares Beneficial interest		7 5% Preference shares Beneficial interest	
	2007	2006	2007	2006
J F Lithgow	2,469	2,469	506,000	506,000
J A Lithgow	1,440	1,440	108,000	108,000

No other director at December 31, 2007 had any interest in the share capital of the company or in any subsidiary during the year

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

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

In so far as the directors are aware, there is no relevant information of which the company's auditors are unaware, and the directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks The Group, of which the company is a member, has a risk management programme that seeks to limit the adverse effects of the financial performance of the Group by monitoring the level of debt finance and the related finance costs The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Financial risk management objectives and policies
(continued)

Credit Risk

The Group has implemented a policy that requires credit checks on potential customers before sales are made The amount of exposure to any individual customer is subject to authorisation limits and procedures delegated to company management by the Group board, and is subject to regular review.

Liquidity risk

The Group maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for its operations at an acceptable cost

Interest rate cash flow risk

The Group has both interest bearing assets and liabilities. The interest bearing assets normally include only cash balances. The Group has a policy of maintaining debt at both fixed and floating rates, thereby enabling the Group to benefit from any reduction in interest rates whilst still maintaining an element of certainty over the future interest cash flows The Group board will regularly review the appropriateness of this policy

Corporate governance

Whilst it is under no obligation to meet the requirements of the Financial Services Authority, the Lithgows' Group places a high degree of importance on corporate governance and has for some years honoured many of the recommendations of the Combined Code The Board includes 3 non executive directors and meets on a regular basis to discuss the strategic development of the Group, and to monitor the day to day implementation of the Group strategy throughout the various subsidiary companies The remuneration of the executive directors is fixed by a committee of the Chairman, Deputy Chairman and 2 non executive directors The Board have an Audit Committee who receive reports from both the external auditors and the internal audit function to satisfy themselves as to the effectiveness of the Group's financial operating procedures and internal controls. Whilst the concentration has been on financial controls to date, it is intended to extend this to a more comprehensive review of all internal controls and risk assessment within the Group.

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Disabled employees

Full and fair consideration is given to applications for employment by disabled persons, having regard to their particular aptitudes and abilities, bearing in mind the nature of the position applied for Opportunities given to a disabled person for the continuance of employment, appropriate training and career development, are in line with those given to any other employee of the Group

Employees

Consultative procedures enable management and other employees to discuss matters of mutual interest Through these procedures and departmental channels employees are able to be kept informed about Group affairs

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors in accordance with Section 385 of the Companies Act 1985 will be put to the members at the Annual General Meeting

ON BEHALF OF THE BOARD

A. R. Reid

A R. REID
Director & Company Secretary

March 17, 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LITHGOWS LIMITED

We have audited the group and parent company financial statements of Lithgows Limited for the year ended December 31, 2007 which comprise the principal accounting policies, the Group profit and loss account, the Group and company balance sheets, the Group cash flow statement, Group statement of total recognised gains and losses, statement of Group retained reserves and notes 1 to 27 These financial statements have been prepared under 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 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors' report

Our responsibility is to audit the financial statements 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 the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements

In addition we 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 other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any misstatements within it

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LITHGOWS LIMITED
(continued)

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the parent company and the Group at December 31, 2007 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and that the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
Registered Auditors
Chartered Accountants
Glasgow

March 17, 2008

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Notes	2007 £'000	2007 £'000	2006 £'000
TURNOVER				
Group and share of joint ventures' turnover			25,422	19,455
Less share of joint ventures' turnover			(6,492)	(2,517)
GROUP TURNOVER	1		18,930	16,938
Cost of sales	2		(15,039)	(12,854)
GROSS PROFIT			3,891	4,084
Other operating income and charges	2	(3,754)		(3,632)
Exceptional income	2			805
Total other operating income and charges			(3,754)	(2,827)
OPERATING PROFIT	3		137	1,257
Share of operating profit/(loss) of joint ventures	9		316	(28)
			453	1,229
Net interest	5		(231)	(138)
Other finance costs	27		(61)	(177)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			161	914
Taxation	6		(126)	(56)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			35	858

The accompanying accounting policies and notes form an integral part of these financial statements

LITHGOWS LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED DECEMBER 31, 2007

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007 £'000	2006 £'000
Profit for the year	35	858
Exchange differences	617	(573)
Unrealised gain on investments	5,545	-
Unrealised surplus on revaluation of land	7,482	-
Actuarial gain arising in pension scheme	576	2,239
Write off of minority interest	-	111
Total recognised gains and losses for the year	14,255	2,635

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2007 £'000	2006 £'000
Reported profit on ordinary activities before taxation	161	914
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	8	8
Historical cost profit on ordinary activities before taxation	169	922
Historical cost profit retained	43	866

The accompanying accounting policies and notes form an integral part of these financial statements

LITHGOWS LIMITED

STATEMENT OF GROUP RETAINED RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit and loss account £'000	Revaluation surplus £'000	Capital redemption reserves £'000	Total reserves £'000	Called up share capital £'000	Total shareholders' funds £'000
At January 1, 2006	(4,768)	3,126	325	(1,317)	1,354	37
Movements in 2006						
Exchange differences						
joint venture	(367)			(367)		(367)
other	(44)	(162)		(206)		(206)
Actuarial gain (note 27)	2,239			2,239		2,239
Write off of minority interest	111			111		111
Dividends paid (note 7)	(1)			(1)		(1)
Profit for the year	858			858		858
At December 31, 2006	(1,972)	2,964	325	1,317	1,354	2,671
Movements in 2007						
Exchange differences						
joint venture	251			251		251
other	89	277		366		366
Surplus on revaluation of fixed assets		7,482		7,482		7,482
Surplus on revaluation of investments		5,545		5,545		5,545
Actuarial gain (note 27)	576			576		576
Dividends paid (note 7)	(3)			(3)		(3)
Profit for the year	35			35		35
At December 31, 2007	(1,024)	16,268	325	15,569	1,354	16,923

The accompanying accounting policies and notes form an integral part of these financial statements

LITHGOWS LIMITED
GROUP BALANCE SHEET AT DECEMBER 31, 2007

	Notes	£'000	2007 £'000	2006 £'000
Fixed assets				
Tangible assets	8	14,216		6,443
Investments				
Joint ventures	9b	7,268		1,827
Unlisted investments	9c	597		52
			22,081	8,322
Current assets				
Stocks and work-in-progress	10	4,385		3,355
Debtors amounts falling due within one year	11	6,569		3,682
Debtors amounts falling due after more than one year	11	2,179		1,897
Cash at bank and in hand		245		1,195
		13,378		10,129
Creditors amounts falling due within one year	12	(12,121)		(8,547)
Net current assets			1,257	1,582
Total assets less current liabilities			23,338	9,904
Creditors amounts falling due after more than one year	13		(879)	(1,091)
Accruals and deferred income				
Deferred grants			(269)	(301)
Net assets excluding pension liability			22,190	8,512
Pension liability	27		(5,267)	(5,841)
Net assets including pension liability			16,923	2,671
Capital and reserves				
Called up share capital	18		1,354	1,354
Reserves			15,569	1,317
Total shareholders' funds			16,923	2,671

The financial statements were approved by the directors on March 17, 2008

James F Lithgow
J F LITHGOW)
Hugh M Currie)
H M CURRIE) Directors

The accompanying accounting policies and notes form an integral part of these financial statements

LITHGOWS LIMITED
COMPANY BALANCE SHEET AT DECEMBER 31, 2007

	Notes	£'000	2007 £'000	2006 £'000
Fixed assets				
Tangible assets	8	60		62
Investments				
Subsidiary undertakings	9a	11,453		5,646
Joint venture	9b	4,830		2
Unlisted investments	9c	595		50
			16,938	5,760
Current assets				
Debtors amounts falling due within one year	11	1,085		162
Debtors. amounts falling due after more than one year	11	1,078		859
Cash at bank and in hand		6		201
		2,169		1,222
Creditors amounts falling due within one year	12	(6,746)		(727)
Net current (liabilities)/assets			(4,577)	495
Total assets less current liabilities			12,361	6,255
Creditors amounts falling due after more than one year	13		(595)	(782)
			11,766	5,473
Capital and reserves				
Called up share capital	18		1,354	1,354
Reserves	19		10,412	4,119
Total shareholders' funds			11,766	5,473

The financial statements were approved by the directors on March 17, 2008

J F LITHGOW)
)
) Directors
)
H M CURRIE)

The accompanying accounting policies and notes form an integral part of these financial statements

LITHGOWS LIMITED

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Notes	2007 £'000	2006 £'000
Net cash (outflow)/inflow from operating activities	20	(4,115)	81
Returns on investments and servicing of finance			
Interest received		269	143
Interest paid		(312)	(131)
Finance lease interest paid		(8)	(2)
Loan interest paid		(180)	(148)
Dividends paid		(3)	(1)
Net cash outflow from returns on investment and servicing of finance		(234)	(139)
Capital expenditure and financial investment			
Purchase of fixed assets		(301)	(241)
Sale of fixed assets		20	447
Investment in joint ventures			7
Disposal of investments		-	29
Receipt of grant		8	14
Net cash (outflow)/inflow from capital expenditure and financial investment		(273)	256
Financing			
Inception of loans	21		3,000
Repayment of borrowings	21	(2,025)	(552)
Capital element of finance lease rentals	21	(35)	(29)
Net cash (outflow)/inflow from financing		(2,060)	2,419
(Decrease)/increase in cash	22	(6,682)	2,617

The accompanying accounting policies and notes form an integral part of these financial statements

LITHGOWS LIMITED

ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards

The principal accounting policies of the Group, which are summarised below, have remained unchanged from the previous year, apart from certain classes of fixed assets which have been revalued during the year In terms of FRS 15, farm land and surplus land are considered to be separate classes of assets. The Group is also now valuing investments under the alternative accounting rules in accordance with the Companies Act 1985, as explained further below

In terms of the revaluation of certain classes of assets and investments, the directors have not sought to obtain valuations as at December 31, 2006 and to adjust the comparative figures

Basis of consolidation

The Group financial statements incorporate the results for the year, the state of affairs and the cash flow of the company and all its subsidiary undertakings. No profit and loss account is presented for the parent company, Lithgows Limited, as provided by S.230 of the Companies Act 1985 The profit of the parent company for the year to December 31, 2007 was £751,000 (2006 – loss of £1,125,000).

Investments in subsidiary undertakings

Investments in subsidiary undertakings represent the original cost of acquisition plus any group balance outstanding The parent company makes provision for the diminution in the value of investment in subsidiaries, or where a deficit exists in a subsidiary's net assets.

Investments in joint ventures

Investments in joint ventures are carried in the balance sheet at directors' valuation reflecting the share of their net assets at the date of acquisition and of their post-acquisition retained profits or losses and any adjustment to the underlying carrying value to reflect revaluations, based on external advice . The investor's share of the results is included within the profit and loss account The profit and loss account also shows the share of the joint ventures' turnover

When the share of losses in a joint venture equals or exceeds its interest in the undertaking, the investor continues to recognise those losses until an irrevocable event occurs that marks its irreversible withdrawal from its investee as a joint venture

ACCOUNTING POLICIES
(continued)

Investment in unlisted investments

Unlisted investments are carried at market value or any value the directors consider appropriate in the circumstances.

Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is calculated to write off the cost or valuation of each fixed asset other than land, by equal annual instalments over the estimated useful life. The rates most widely used are -

Freehold property		2%
Other freehold property - land	-	nil
Leasehold property		shorter of 2½% or over life of lease
Freehold slipways and jetties		2% 2½%
Plant, machinery, fixtures and fittings		4% 20%
Motor vehicles		20% 25%
Office equipment		15%
Computer hardware		25%
Computer software		50%

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

Stocks and work-in progress

Stocks and work in progress are valued at the lower of cost and net realisable value Cost includes materials, labour and, where appropriate, a proportion of production overheads based on normal levels of activity. Net realisable value is defined as the estimated selling price less future costs to completion and expenses of marketing and distribution.

Payments received and receivable to account of work-in progress are deducted from the cost or net realisable value Payments to account in excess of costs to date of work in-progress are included in creditors

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs, as defined in stocks and work-in progress above, as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract Revenues derived from variations on contracts are recognised only when they have been accepted by the customer Full provision is made for losses on all contracts in the year in which they are first foreseen

LITHGOWS LIMITED

ACCOUNTING POLICIES
(continued)

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Grants

Grants in respect of capital expenditure are credited to a deferred credit account and released to profit and loss account over the expected useful life of the assets to which they relate Revenue grants are released to profit over the life of the project to which they related

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity.

Foreign currencies

Transactions in foreign currencies during the year are converted into sterling at the rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling at that date Unrealised gains and losses on translation of the assets, liabilities, profits and reserves of the overseas subsidiaries and joint ventures are dealt with as reserve movements, and other exchange differences are taken to the profit and loss account.

LITHGOWS LIMITED

ACCOUNTING POLICIES
(continued)

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease terms and their useful lives

The interest element of the contractual obligations is charged to profit and loss account over the period of the lease and approximates to a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to profit and loss account on a straight line basis over the terms of the lease

Retirement benefits

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the arrangements in respect of the accounting period.

The company also participates in a defined benefits scheme, The Lithgows Limited Pension Scheme, but is unable to identify its share of the underlying assets and liabilities The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period Details in respect of the current deficit of the scheme are included in note 27 of these financial statements

Defined benefit pension scheme

The Group operates The Lithgows Limited Pension Scheme Scheme assets are measured at fair values. Scheme Liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet A net surplus is recognised only to the extent that it is recoverable by the Group

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs Actuarial gains and losses are reported in the statement of total recognised gains and losses

Research and development

Expenditure is charged to the profit and loss account in the period in which it is incurred

LITHGOWS LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

1 Group turnover

Turnover represents the amount of goods sold and services provided during the year, stated net of value added tax, together with the value of work completed in respect of long-term contracts in progress at the year end The turnover is attributable to the following activities

	2007	2006
	£'000	£'000
Marine	2,646	2,453
Engineering	8,895	7,540
Aquaculture	6,797	6,428
Others	592	517
	18,930	16,938
Share of joint ventures' turnover		
Aquaculture	1,384	1,458
Engineering	5,080	1,002
Property	28	57
	25,422	19,455

Analysis of turnover by geographical area

	2007	2006
	£'000	£'000
U K	16,445	15,313
E U	1,077	456
Other Europe	641	148
U S A and Canada	3	315
Asia and Australasia	716	563
South America	1	
Africa	11	97
Middle East		13
Caribbean	36	33
	18,930	16,938
Share of joint ventures' turnover		
Americas	1,605	1,473
U K	2,735	655
Europe	1,400	343
Middle East	394	9
Africa	76	28
Others	282	9
	25,422	19,455

2 Cost of sales/other operating income and charges

	2007 £'000	2006 £'000
Cost of sales		
Cost of sales	15,039	12,854
Other operating income and charges.		
Distribution costs	465	424
Administrative costs	3,328	3,474
Other operating income	(39)	(266)
Exceptional income		(805)
	3,754	2,827

The exceptional income in 2006 arises from the waiver of a loan balance from a minority shareholder in a subsidiary company on the buy-out of their minority holding

3 Operating (loss)/profit

(a) This is stated after charging and crediting the following items

	2007 £'000	2006 £'000
Items charged		
Fees payable to group auditors for audit of group financial statements	19	25
Fees payable to group auditors for audit of subsidiary companies	41	39
Fees payable to group auditors for non-audit services		
Depreciation of owned assets	372	506
Depreciation of assets held under finance leases and hire purchase contracts	35	10
Hire of plant	157	88
Operating lease rentals – plant and machinery	74	80
Operating lease rentals – land and buildings	387	410
Loss on disposal of fixed assets	15	25
Items credited.		
Net rental income	14	9
Release from deferred grants	40	252
Gain on disposal of investments		28

3 Operatıng profit/(loss)
(contınued)

(b) Dırectors' emoluments

	2007 £'000	2006 £'000
Aggregate emoluments	444	500

Durıng the year, 5 dırectors (2006 – 5 directors) partıcıpated ın defined benefit pensıon schemes

The emoluments of the hıghest paıd dırector were £148,346 (2006 £202,182) The hıghest paıd dırector's accrued pensıon at the year end was £82,494 (2006 £75,017)

4 Staff costs

	2007 £'000	2006 £'000
Wages and salarıes	4,300	4,166
Socıal securıty costs	374	378
Other pensıons costs	270	252
	4,944	4,796

The average weekly number of employees durıng the year was made up as follows

	2007 No	2006 No.
Marıne	64	66
Engıneerıng	81	87
Aquaculture	23	23
Others	20	19
	188	195

5 Net ınterest

	2007 £'000	2006 £'000
Bank loans and overdrafts	(456)	(279)
Fınance charges payable under finance leases and hire purchase contracts	(8)	(2)
Other ınterest payable	(36)	
	(500)	(281)
Bank deposit ınterest receıved	23	37
Loan ınterest receıvable	158	103
Other ınterest receıvable	88	3
	(231)	(138)

6 Taxation

	2007 £'000	2006 £'000
The taxation charge for the year represents		
Share of tax charge on joint ventures' profits	126	56
	126	56

No reconciliation of the current tax charge has been disclosed because of the availability of tax losses within the Group

7 Dividends

	2007 £'000	2006 £'000
Preferred ordinary dividend – interim dividend of £5 25 (2006 £1 30) per share	3	1
Ordinary dividend – £nil (2006 £nil) per share		
Preferred ordinary dividend – £nil (2006 £nil) per share		
	3	1

8 Tangible fixed assets

Company	Freehold property £'000	Machinery, plant, vehicles and fittings £'000	Total £'000
Cost or valuation			
At January 1, 2007 and at December 31, 2007	331	162	493
Depreciation			
At January 1, 2007	270	161	431
Charge for the year	1	1	2
At December 31, 2007	271	162	433
Net book value			
At January 1, 2007	61	1	62
At December 31, 2007	60		60

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

8 Tangible fixed assets
(continued)

	Freehold property £'000	Farm land £'000	Surplus land £'000	Leasehold property £'000	Machinery plant vehicles and fittings £'000	Total £'000
Group						
Cost or valuation						
At January 1, 2007	1,804	3,246	264	573	11,990	17,877
Additions		28			373	401
Disposals					(151)	(151)
Exchange difference		319			38	357
Surplus on revaluation		7,107	236			7,343
At December 31, 2007	1,804	10,700	500	573	12,250	25,827
Depreciation						
At January 1, 2007	931	28	89	305	10,081	11,434
Charge for the year	33	4	15	34	321	407
Disposals					(116)	(116)
Exchange difference		3			22	25
Adjustment on revaluation		(35)	(104)			(139)
At December 31, 2007	964			339	10,308	11,611
Net book value						
At January 1, 2007	873	3,218	175	268	1,909	6,443
At December 31, 2007	840	10,700	500	234	1,942	14,216
Cost or valuation at December 31, 2007, comprises						
Cost	1,512			573	12,250	14,335
Valuation in 1984	112					112
Valuation in 1999	180					180
Valuation in 2007		10,700	500			11,200
	1,804	10,700	500	573	12,250	25,827

Farm land and surplus land are considered to be separate classes of asset under the terms of FRS 15, and are included in the financial statements at valuation

The Group's farm land in Australia was revalued on March 5, 2008 by Messrs L J Hooker, a firm with specialist staff and knowledge in the valuation and marketing of rural properties in Western Australia, on the basis of a fair market appraisal

A site located in Buckie, which is surplus to the current operational requirements of the Group, was revalued on August 2, 2006 by F G Burnett Limited, a firm of Chartered Surveyors and Property Consultants, on the basis of market value as defined by the RICS

The directors have considered these valuations and reflected them in the financial statements as at December 31, 2007 The surpluses arising on these revaluations have been transferred to the revaluation reserve

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

8 Tangible fixed assets
(continued)

The historical cost and net book value for each category included at valuation is:

	Farm land £'000	Surplus land £'000	Freehold property £'000	Total £'000
Historical cost.				
At January 1, 2007	458	264	151	873
Exchange difference	29			29
At December 31, 2007	487	264	151	902
Depreciation based on cost:				
At January 1, 2007	68	89	24	181
Charge for the year	1	15	-	16
Exchange difference	5			5
At December 31, 2007	74	104	24	202
Net historical cost value				
At January 1, 2007	390	175	127	692
At December 31, 2007	413	160	127	700

Included in the amounts for machinery, plant, vehicles and fittings above are the following amounts relating to leased assets and assets acquired under finance leases and hire purchase contracts

	Company £'000	Group £'000
Net book value		
At January 1, 2007		110
At December 31, 2007		185

9 Investments

(a) Subsidiary undertakings

Company

	2007 £'000	2006 £'000
Investment in subsidiary undertakings comprises		
Cost	12,068	12,068
Amounts written off	(1,181)	(5,690)
Amounts due by subsidiaries, less provisions	3,535	2,191
Amounts due to subsidiaries	(2,969)	(2,923)
Net book value	11,453	5,646

At December 31, 2007, the company had beneficial interests directly or indirectly (*) in the ordinary share capital of the undernoted principal operating subsidiary undertakings All are registered in Scotland unless otherwise stated and all are 100% owned

Nature of Business	Company
Marine:	Buckie Shipyard Limited
Engineering:	Prosper Group Limited Prosper Engineering Limited*
Aquaculture:	Clachbreck Fish Farms* Cruive Limited Inver Lochs Limited* Knapdale Shipping (Campbeltown) Limited Landcatch Limited McKinlay & Blair Limited Ormsary Fish Farms Limited* The Marine Resource Centre Limited MRC Energy Limited*
Primary Production:	Lithgows Pty Limited (incorporated in Australia)
Finance:	Inver Salmon Limited Lithgow Factoring Limited

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

9 Investments
(continued)

(b) Interest in joint ventures

Joint venture	Country of incorporation	Class of share capital held	Proportion held by Group	Nature of business
Landcatch Chile SA (through Landcatch Limited)	Chile	Ordinary shares	50%	Fish Farming
Achadonn Limited (through Lithgows Limited)	Scotland	Ordinary shares	50%	Property Development
Prosper Distribution Limited (through Prosper Group Limited)	England	Ordinary Shares	50%	Engineering
Prosper Group Hong Kong Ltd (through Prosper Group Limited)	Hong Kong	Ordinary Shares	50%	Engineering

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
At January 1, 2007	2	(267)	2,092	1,827
Share of (loss)/profit retained by joint ventures	(172)	311	51	190
Exchange differences		4	247	251
Share of revaluation of investment	5,000			5,000
At December 31, 2007	**4,830**	**48**	**2,390**	**7,268**

The Group's share in its joint ventures as at December 31, 2007 comprises

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
Fixed assets		103	2,007	2,110
Current assets	10,782	2,090	1,926	14,825
Gross assets	10,782	2,193	3,933	16,935
Liabilities due within one year	4,905	1,883	1,140	8,095
Liabilities due after more than one year	1,047	262	403	1,572
Gross liabilities	5,952	2,145	1,543	9,667
Net assets	**4,830**	**48**	**2,390**	**7,268**
Turnover	**28**	**5,080**	**1,384**	**6,402**
(Loss)/profit before taxation	**(171)**	**426**	**61**	**316**
Taxation	(1)	(115)	(10)	(126)
(Loss)/profit after taxation	**(172)**	**311**	**51**	**190**

9 Investments
(continued)

(b) Interest in joint ventures (continued)

The Group's share in its joint ventures as at December 31, 2006 comprises

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
Fixed assets		86	1,610	1,696
Current assets	5,354	1,691	1,013	8,058
Gross assets	5,354	1,777	2,623	9,754
Liabilities due within one year	4,458	1,743	336	6,537
Liabilities due after more than one year	894	301	195	1,390
Gross liabilities	5,352	2,044	531	7,927
Net assets/(liabilities)	**2**	**(267)**	**2,092**	**1,827**
Turnover	**57**	**1,002**	**1,458**	**2,517**
(Loss)/profit before taxation	**(107)**	**(260)**	**339**	**(28)**
Taxation			(56)	(56)
(Loss)/profit after taxation	**(107)**	**(260)**	**283**	**(84)**

(c) Unlisted investments

Unlisted investments comprise	Company £'000	Group £'000
Cost		
At January 1, 2007	94	193
Surplus on revaluation	545	545
At December 31, 2007	639	738
Amounts written off		
At January 1, 2007 and December 31, 2007	44	141
Net book value		
At January 1, 2007	50	52
At December 31, 2007	595	597

10 Stocks and work in progress

	Group 2007 £'000	Group 2006 £'000
Raw material and consumables	1,805	740
Work in progress	83	510
Finished goods and goods for resale	727	560
Livestock	1,770	1,545
	4,385	3,355

11 Debtors

	Company 2007 £'000	Company 2006 £'000	Group 2007 £'000	Group 2006 £'000
Amounts falling due within one year				
Trade debtors	18	23	3,789	2,424
Amounts due from joint ventures			809	131
Other debtors	949	40	1,535	696
Prepayments and accrued income	98	79	416	411
Corporation tax	20	20	20	20
	1,085	162	6,569	3,682
Amounts falling due after more than one year				
Amounts due from joint ventures	1,078	859	1,388	1,157
Other debtors			791	740
	1,078	859	2,179	1,897

12. Creditors amounts falling due within one year

	Company		Group	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank facilities	6,031		7,141	1,409
Current instalments due on loans (note 14)	188	173	269	2,032
Obligations under finance lease and hire purchase contracts (note 15)			47	26
Trade creditors	19	30	2,591	3,176
Amounts due to joint ventures			87	9
Other taxes and social security costs	20	20	113	117
Other creditors	265	312	1,085	1,012
Pension contributions	35	30	35	30
Accruals	188	162	753	736
	6,746	727	12,121	8,547

13 Creditors amounts falling due after more than one year

	Company		Group	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Loans (note 14)	595	782	765	1,027
Obligations under finance leases and hire purchase contracts (note 15)			114	64
	595	782	879	1,091

14 Loans

	Company		Group	
	2007	2006	2007	2006
Loans are repayable as follows	£'000	£'000	£'000	£'000
Not wholly repayable within five years			46	53
Wholly repayable within five years	783	995	988	3,006
	783	955	1,034	3,059
Instalments due				
After five years			7	14
Between two and five years	394	594	504	744
Between one and two years	201	188	254	269
	595	782	765	1,027
Within one year (note 12)	188	173	269	2,032
	783	955	1,034	3,059

	Group 2007 £'000	Group 2006 £'000
Details of loans not wholly repayable within five years are as follows		
Loan repayable in monthly instalments of £871, commencing April 2004, secured by a second ranking floating charge over the whole of the assets of the subsidiary company to whom the loan has been provided Interest is charged at the rate of 7 5% per annum	46	53
Details of loans wholly repayable within five years as follows		
Loan repayable in monthly instalments of £4,762 commencing June 2001, secured by a floating charge over the whole assets of the recipient subsidiary Interest is 1 75% above the bank's base rate	29	86
Loan repayable in two instalments each of £875,000 in June and July 2007, secured by a parent company guarantee Interest is charged at 7 5% per annum		1,750
Loan repayable in 60 monthly instalments commencing October 2006, secured by a bond and floating charge over the assets of the parent company, and guarantees totalling £967,000 from subsidiary companies Interest is charged at 1 5% above the bank's base rate	783	955
Loan repayable in 60 monthly instalments commencing October 2006, secured by a first standard security over heritable property of the relevant subsidiary, a bond and floating charge over the assets of the relevant subsidiary and a guarantee of £328,000 provided by a subsidiary Interest is charged at 1 5% above the bank's base rate	176	215
	1,034	3,059

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

14 Loans *(continued)*	2007 £'000	2006 £'000
Analysis of changes in loan financing:		
At January 1	3,059	611
Inception of new loans	-	3,000
Capital element of repayments	(2,025)	(552)
At December 31	1,034	3,059

15. Obligations under leases and hire purchase contracts

	Group	
	2007 £'000	2006 £'000
Amounts due within one year	55	32
Amounts due within two to five years	127	73
	182	105
Less finance charges allocated to future periods	(21)	(15)
	161	90
The above shown as		
Current obligations (note 12)	47	26
Non-current obligations (note 13)	114	64
	161	90

15. Obligations under leases and hire purchase contracts
(continued)

	Group	
	2007	2006
	£'000	£'000
Analysis of changes:		
At January 1	90	17
Exchange	6	
New contracts	100	102
Capital element of repayments	(35)	(29)
At December 31	161	90

Annual commitments under non cancellable operating leases

	Land and buildings		Other	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Leases which expire				
Within one year	1	1	34	13
Within the second to fifth years inclusive			62	78
Over five years	390	385	-	-
	391	386	96	91

16 Deferred taxation

There is no deferred taxation liability as at December 31, 2007 or December 31, 2006

There are potential deferred tax assets within both the Group and Company as a consequence of accelerated capital allowances, other timing differences and taxation losses carried forward.

17 Minority interests

	2007 £'000	2006 £'000
At January 1 equity interest		111
Amount written off during the year		(111)
At December 31 - equity interest		

18 Share capital

	2007 £'000	2006 £'000
Authorised		
Equity interests		
9,346 ordinary shares of £100 each (2006 9,346)	935	935
654 preferred ordinary shares of £100 each (2006 654)	65	65
1,000,000 7 5% preference shares of £1 each (2006 1,000,000)	1,000	1,000
	2,000	2,000
Allotted, issued and fully paid		
Equity interests		
6,390 ordinary shares of £100 each (2006 6,390)	639	639
654 preferred ordinary shares of £100 each (2006 654)	65	65
650,000 7 5% preference shares of £1 each (2006 650,000)	650	650
	1,354	1,354

The preferred ordinary shares are non voting shares, but have rights to be paid out of the distributable profits of each financial year in preference to any dividend on the ordinary shares of the company, but after payment of the dividend on the preference shares In the event of a winding up, the holders of the ordinary shares and the holders of the preferred ordinary shares shall rank *pari passu*

The preference shares are non voting and non convertible and have no rights to share in dividends other than the fixed 7 5% dividend which is non cumulative and is payable at the discretion of the directors As at December 31, 2007, the holders of the preference shares have put aside their option to redeem all or any of the fully paid up preference shares In the event of a winding up, the holders of the preference shares shall rank ahead of the holders of the ordinary shares and the preferred ordinary shares, but only to the extent of being repaid at par

19 Company reserves and reconciliation of movements in shareholders' funds

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total reserves £'000	Called up share capital £'000	Total £'000
At January 1, 2007		325	3,794	4,119	1,354	5,473
Profit for year			751	751		751
Surplus on revaluation of investments	5,545			5,545		5,545
Dividends			(3)	(3)		(3)
At December 31, 2007	5,545	325	4,542	10,412	1,354	11,766

20. Net cash (outflow)/inflow from operating activities

	2007 £'000	2006 £'000
Operating profit	137	1,257
Loss on disposal of fixed assets	15	25
Depreciation	407	516
(Increase)/decrease in stocks	(1,010)	142
(Increase)/decrease in debtors	(3,149)	146
Decrease in creditors	(482)	(1,716)
Release from deferred grants	(40)	(252)
Exchange rate movement	7	(9)
Gain on disposal of investments		(28)
Net cash (outflow)/inflow from operating activities	(4,115)	81

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

21 Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
(Decrease)/increase in cash in the year (note 22)	(6,689)	2,626
Net cash outflow/(inflow) from loans	2,025	(2,448)
Cash outflow from finance leases	35	29
Change in net debt resulting from cash flows	(4,629)	207
Inception of finance leases	(100)	(102)
Exchange difference	1	(9)
Movement in net debt in the year	(4,728)	96
Net debt at January 1	(3,363)	(3,459)
Net debt at December 31	(8,091)	(3,363)

22 Analysis of change in net debt

	At Jan 1 2007 £'000	Cash flow £'000	Non cash items £'000	Exchange difference £'000	At Dec 31 2007 £'000
Cash in hand and at bank	1,195	(957)		7	245
Bank facilities	(1,409)	(5,732)			(7,141)
	(214)	(6,689)	-	7	(6,896)
Debt (note 14)	(3,059)	2,025			(1,034)
Finance leases (note 15)	(90)	35	(100)	(6)	(161)
	(3,363)	(4,629)	(100)	1	(8,091)

23. Related parties

During the year companies within the Group were involved in contracts with Ormsary Farmers and Inver Farmers. Sir William Lithgow, a shareholder of the parent company, holds an interest in both these partnerships, James Lithgow, a shareholder and director of the parent company, holds an interest in the Ormsary Farmers partnership and John Lithgow, also a shareholder and director of the parent company, holds an interest in the Inver Farmers partnership. These contracts were on an arm's length basis and were in respect of the provision of services by Ormsary Farmers and Inver Farmers to rear fish stocks at Ormsary, Argyll, the provision by Ormsary Farmers of consultancy services, and the provision of electrical contracting and labour to Ormsary Farmers and Inver Farmers.

The Group provides certain husbandry and management services under contract to Landcatch Natural Selection Limited, whose share capital is owned by a company whose shareholding is the same as that of Lithgows Limited Also, the Group receives under contract from Landcatch Natural Selection Limited, the supply of salmon ova and parr, as well as the provision of a veterinary health service.

The Group has provided loans and extended credit to Landcatch Natural Selection Limited These loans and extended credit are interest bearing, with a deferment in terms of both capital and interest repayment

During 2007 the parent company continued to provide management services to Achadonn Properties Limited, a subsidiary company of its joint venture, Achadonn Limited An interest bearing loan balance due from Achadonn Properties Limited remains outstanding at the year end

Through Prosper Group Limited, interests are held in two joint venture companies, Prosper Distribution Limited and Prosper Group Hong Kong Limited On the formation of Prosper Distribution Limited, a loan was provided by Prosper Group Limited and in addition to the sale and purchase of some product in the course of the year, there have been recharges of management costs from the Prosper Group to Prosper Distribution Limited

The separate joint venture in Prosper Group Hong Kong Limited was established to invest in an overseas subsidiary in China, Prosper Bolts Engineering (Shanghai) Limited The Prosper Group of companies have provided a loan to the Prosper Group Hong Kong companies, and have received some services from China in the course of 2007.

Loans have been advanced to the parent company by J F. Lithgow and J.A Lithgow, both shareholders and directors of the company, and there are balances which remain outstanding at December 31, 2007

23 Related parties
(continued)

Details of the values of these services supplied during the financial years to December 31, 2007 and December 31, 2006 are shown below

	2007 £'000	2006 £'000
Provision of services to Landcatch Natural Selection Limited	2,147	1,807
Interest arising on loan to Landcatch Natural Selection Limited	160	52
Provision of electrical contracting services to Ormsary Farmers	46	6
Provision of electrical contracting services to Inver Farmers	6	4
Provision of services to Achadonn Properties Limited	50	50
Interest arising on loan to Achadonn Properties Limited	66	52
Supply of material product to Prosper Distribution Limited	4,195	516
Provision of services to Prosper Distribution Limited	375	84
Sale of tangible fixed assets to Prosper Distribution Limited		4
Provision of services to Prosper Group Hong Kong Limited, and subsidiary company		279
Provision of services by Ormsary Farmers to rear fish stocks	535	1,215
Provision of services by Inver Farmers to rear fish stocks	49	213
Supply of salmon ova and parr by Landcatch Natural Selection Limited	395	432
Provision of veterinary services by Landcatch Natural Selection Limited	10	18
Supply of material product by Prosper Distribution Limited	306	144
Supply of material product by Prosper Bolts Engineering (Shanghai) Limited	116	130

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

23 Related parties
(continued)

Details of the balances outstanding at the balance sheet dates are shown below

	2007 £'000	2006 £'000
Loan balances due by Landcatch Natural Selection Limited	1,545	645
Accrued interest due by Landcatch Natural Selection Limited	146	95
Loan balance due by Achadonn Properties Limited	1,078	859
Loan balance due by Prosper Distribution Limited	50	50
Loan balance due by Prosper Group Hong Kong Limited	260	260
Due by Ormsary Farmers	37	5
Due by Inver Farmers	4	4
Due by Landcatch Natural Selection Limited	2,077	55
Due by Prosper Distribution Limited	809	160
Due by Prosper Bolts Engineering (Shanghai) Limited		151
Loan balance due to J.F Lithgow	90	54
Loan balance due to J A Lithgow	68	29
Due to Ormsary Farmers	204	542
Due to Inver Farmers	34	186
Due to Landcatch Natural Selection Limited	15	26
Due to Prosper Distribution Limited	42	208
Due to Prosper Bolts Engineering (Shanghai) Limited	44	20
Due to Prosper Group Hong Kong Limited	2	

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

24 Capital commitments

	Company		Group	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Contracted for but not provided in these financial statements			94	

25 Contingent liabilities

There were no contingent liabilities at either December 31, 2007 or December 31, 2006.

26 Guarantees and financial commitments

The company has an overdraft facility arrangement which is secured by a bond and floating charge over the assets of the company and a guarantee provided by the shareholders At December 31, 2007 there were borrowings of £6,031,000 (2006 £nil) in respect of this facility

The parent company has also provided guarantees to joint venture partners and subsidiary companies in respect of loans advanced As at December 31, 2007 the amount covered by these guarantees totalled £546,000 (2006 £2,303,000)

Bank facilities have been provided to certain subsidiary companies which are secured by the provision of a bond and floating charge over the assets of the specific subsidiary company As at December 31, 2007 the amount covered by these charges totalled £932,000 (2006 £1,409,000).

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

27 Pension commitments

The Group operates a defined contribution stakeholder pension scheme for the benefit of employees The assets of the scheme are administered externally to the Group in funds independent from the Group

The Group also operates a defined benefit scheme, The Lithgows Limited Pension Scheme The assets of the scheme are held separately from those of the Group, being managed by independent fund managers Cost and liabilities are based on actuarial valuations Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group The contributions are determined by a qualified actuary on the basis of regular valuations, the most recent of which was at April 5, 2003, and updated to December 31, 2007 The valuation used the projected unit method The major assumptions used by the actuary were

	December 31 2007	December 31 2006	December 31 2005
Rate of increase in salaries			
Staff/executives	3 90%	3 50%	3 30%
Hourly paid members	3 40%	3 00%	2 80%
Rate of increase of pensions in payment			
Staff/executives (future service)	2 50%	2 50%	2 50%
Hourly paid members (future service)	2 50%	2 50%	2 50%
Discount rate	5 80%	5 10%	4 70%
Inflation assumption	3 40%	3 00%	2 80%

The assets in the scheme and the expected rate of return were

	Dec 31 2007	Dec 31 2007 £'000	Dec 31 2006	Dec 31 2006 £'000	Dec 31 2005	Dec 31 2005 £'000
Equities	7 0%	14,385	7 0%	14,633	6 6%	13,591
Bonds	4 2%	5,534	3 8%	4,999	3 4%	5,557
Property	7 0%	985	7 0%	1,275	6 6%	592
Total market value of assets		20,904		20,907		19,740
Actuarial value of liability		(26,171)		(26,748)		(27,700)
Net pension liability		(5,267)		(5,841)		(7,960)

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

27 Pension commitments
(continued)

Analysis of the amount charged to operating profit

	2007 £'000	2006 £'000
Service cost	264	267
Total operating charge	264	267

Analysis of amounts charged to finance costs

	2007 £'000	2006 £'000
Expected return on pension scheme assets	1,294	1,118
Interest on pension liabilities	(1,355)	(1,295)
Net cost	(61)	(177)

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £'000	2006 £'000
Actual return less expected return on assets	(995)	297
Experience gains and losses on liabilities	235	342
Changes in assumptions	1,336	1,600
Actuarial gain recognised in STRGL	576	2,239

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

27 Pension commitments
(continued)

History of experience gains and losses

	Year to December 31 2007	Year to December 31 2006
Difference between expected and actual return on scheme assets		
Amount	(£995,000)	£297,000
Percentage of scheme assets	(5)%	1%
Experience gains and losses on scheme liabilities		
Amount	£235,000	£342,000
Percentage of scheme liabilities	1%	1%
Total amount recognised in statement of total recognised gains and losses		
Amount	£576,000	£2,239,000
Percentage of scheme liabilities	2%	8%

Movement in deficit during the year

	December 31 2007 £'000	December 31 2006 £'000
Deficit in scheme at beginning of year	(5,841)	(7,960)
Movement in year		
Current service cost	(264)	(267)
Contributions	323	324
Net return on assets/(interest cost)	(61)	(177)
Actuarial gain	576	2,239
Deficit in scheme at end of year	(5,267)	(5,841)

The actuarial valuation at December 31, 2007 showed a decrease in the deficit from £5,841,000 to £5,267,000 Company contributions were £323,000 (equivalent to 17 2% of pensionable pay) The company agreed with the trustees that the contributions would remain at their current levels during 2007 while an actuarial valuation as at April 6, 2006 was carried out