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Lithgows Limited

Report and Financial Statements 2012

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT

I am delighted to be able to advise that since I last reported in September 2012 significant progress has been made in delivering on our strategy to establish a number of successful renewable energy schemes that will help meet the demand for clean energy and sustain the Group for many years ahead.

Through its subsidiary company, Lithgow Energy Limited, the Group has joint venture interests in Inver Hydro LLP and Allt Dearg Wind Farmers LLP. Both these ventures have successfully completed the construction and commenced operation of renewable energy projects within the last 12 months, and whilst the impact of their financial performance on the consolidated results for 2012 has been limited due to the brief period they were operational, both entities are achieving operational and financial results to date significantly in excess of initial projections.

Inver Hydro is believed to be one of the largest privately owned hydro schemes in the UK, and is on course to achieve annual generation of 7GWh/year. This is the equivalent of providing electricity to over 1,000 households, and effectively makes the Isle of Jura fully self-sufficient in renewable energy. Commitment has been made towards phase 2 of the Inver Hydro project, with a further turbine on order and initial generation from it anticipated by April 2014.

Construction of the Allt Dearg Community Wind Farm was completed under budget and earlier than projected, with full electrical connection and generation to the grid obtained before Christmas 2012, over three months ahead of schedule. This has enabled the scheme to benefit from most of an additional winter period of output, and as a consequence over £2m of revenue has been generated by the end of May 2013. I am particularly pleased to be able to report that this has meant that as one of the participating members of the LLP, the local Ardrishaig community has already received a distribution of funds from Allt Dearg, thereby proving the community ownership model for such projects that we have been promoting.

Building on the successful community model established at Allt Dearg, scoping of a sister project to be erected on a neighbouring site is well advanced. It is intended that two other local communities will be participating members of this scheme, each having a 1/12th interest, and a 6MW electrical connection has been secured from October 2015.

The Marine Resource Centre based at Barcaldine, near Oban, reported its best ever operating performance in 2012. We continue to expand our yacht mooring and storage facilities, with the provision of additional services on site, and this has proved successful in continuing to attract many new customers as well as retaining most of our existing clients. Further expansion in this area is planned in the short-term. In addition, we continue to modestly grow our services to companies in the aquaculture sector, as well as seeking opportunities to utilise the excellent pier and slipway facilities on site. Enhancements to increase the efficiency and output from the onsite renewable energy scheme are under consideration.

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT
(continued)

McKinlay & Blair, our small electrical contracting business, continues to play an important role in support of the Group's operations, particularly in respect of the new renewable energy schemes, with additional technical qualifications being obtained which provide the certification and skills to support this sector. The company reported further operating profits in 2012.

Buckie Shipyard experienced difficult trading conditions during 2012, with the loss of regular refit work being compounded by the lack of sustained activity levels as a subcontractor in the construction of aluminium catamarans for use as service vessels for the offshore wind sector. This has been addressed by securing to date 3 direct build contracts for such vessels, with discussions for further contracts ongoing. Subsequent to December 31, 2012 Buckie Shipyard acquired the refit building previously leased from Highlands and Islands Enterprise.

We continue to actively manage the remaining property assets for long term capital growth. Where possible, we seek to obtain short term income from the rental of these sites pending the next stage of their development.

It is disappointing to report, as a consequence of the performance at Buckie, a pre-tax loss for the year to December 31, 2012 of £727,000. However, we retained shareholders' funds in excess of £9,700,000 and remained positively geared, and I am confident we will build on this as we make further progress in the development of more renewable energy schemes which will generate strong and consistent cash flows for the Group for many years ahead.

JAMES F. LITHGOW
Chairman

May 29, 2013

LITHGOWS LIMITED

Directors

Mr. J.F. Lithgow *(Chairman)*

Mr. J.A. Lithgow (*Deputy Chairman)*

Mr. A.R. Reid *(Company Secretary)*

Mr. S.L. Rickman *(Non-Executive)*

Mr. A.W.C. Wishart *(Finance Director)*

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, 2012.

Results and dividends

The Group trading loss for the year before taxation amounted to £727,000.

No dividends have been paid during the year.

Review of the business

The Group's principal operating subsidiaries and their activities during the year are shown on page 27. 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

The directors as at December 31, 2012 are stated on page 3.

The director who retires from the board by rotation at the next Annual General Meeting is Mr. A. R. Reid who, being eligible, offers himself for re-election.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and company 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 2006. 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.

The Group has recently prepared trading projections for the three year period through to December 2015. These projections indicate that there will be adequate funding in place during this period to meet the Group's requirements. On this basis, the directors are satisfied that they can continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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.

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

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

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed to be reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

A.R. Reid

A.R. REID
Director & Company Secretary

May 29, 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LITHGOWS LIMITED

We have audited the financial statements of Lithgows Limited for the year ended December 31, 2012 which comprise the accounting policies, the Group profit and loss account, the Group and company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group note of historical cost profits and losses, the Group reconciliation of movement 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 directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LITHGOWS LIMITED
(continued)

Basis of opinion

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 December 31, 2012 and the Group's loss 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 of the information and explanations we require for our audit.

Grant Thornton UK LLP

Andrew Howie
Senior Statutory Auditor
for and on behalf of GRANT THORNTON UK LLP
Statutory Auditor
Chartered Accountants
Glasgow

May 29, 2013

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 £'000	2012 £'000		2011 £'000
TURNOVER					
Group and share of joint ventures' turnover			3,523		5,747
Less: share of joint ventures' turnover			(394)		(45)
GROUP TURNOVER	1				
Continuing operations		3,129		3,393	
Discontinued operations		-		2,309	
			3,129		5,702
OPERATING (LOSS)/PROFIT	2				
Continuing operations		(866)		102	
Discontinued operations		-		581	
			(866)		683
Share of operating profit/(loss) of joint ventures	8		159		(318)
			(707)		365
Provision for impairment in the value of certain assets in anticipation of disposal			-		70
			(707)		435
Net interest	4		(20)		34
Other finance costs			-		(174)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(727)		295
Taxation credit	5		-		45
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			(727)		340

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, 2012

	2012 £'000	2011 £'000
(Loss)/profit for the year	(727)	340
Impairment to revaluation of land	(210)	-
Actuarial loss arising in pension scheme	-	(2,097)
Gain arising on de-recognition of pension scheme deficit	-	8,328
Total recognised losses and gains for the year	(937)	6,571

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2012 £'000	2011 £'000
Reported (loss)/profit on ordinary activities before taxation	(727)	295
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	5	5
Historical cost (loss)/profit on ordinary activities before taxation	(722)	300
Historical cost (loss)/profit retained	(722)	345

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

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, 2011	2,678	380	325	3,383	704	4,087
Movements in 2011						
Gain on de-recognition of Pension Scheme deficit (note 26)	8,328	-	-	8,328	-	8,328
Actuarial loss	(2,097)	-	-	(2,097)	-	(2,097)
Dividends paid (note 6)	(6)	-	-	(6)	-	(6)
Profit for the year	340	-	-	340	-	340
At December 31, 2011	9,243	380	325	9,948	704	10,652
Movements in 2012:						
Impairment to revaluation of land	-	(210)	-	(210)	-	(210)
Dividends paid (note 6)	-	-	-	-	-	-
Loss for the year	(727)	-	-	(727)	-	(727)
At December 31, 2012	8,516	170	325	9,011	704	9,715

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

LITHGOWS LIMITED
GROUP BALANCE SHEET AT DECEMBER 31, 2012

	Notes		2012	2011
		£'000	£'000	£'000
Fixed assets:				
Tangible assets	7	1,966		2,305
Investments:				
Joint ventures	8b	3,113		2,366
Unlisted investments	8c	1,776		1,776
			6,855	6,447
Current assets:				
Stocks and work-in-progress	9	945		112
Debtors: amounts falling due within one year	10	706		1,473
Debtors: amounts falling due after more than one year	10	2,653		2,645
Cash at bank and in hand		811		2,155
		5,115		6,385
Creditors: amounts falling due within one year	11	(2,072)		(2,000)
Net current assets			3,043	4,385
Total assets less current liabilities			9,898	10,832
Creditors: amounts falling due after more than one year	12		(28)	(4)
Accruals and deferred income:				
Deferred grants	16		(155)	(176)
Net assets			9,715	10,652
Capital and reserves:				
Called up share capital	17		704	704
Reserves			9,011	9,948
Total shareholders' funds			9,715	10,652

The financial statements were approved by the directors on May 29, 2013.

J.F. LITHGOW)
)
) Directors
A.W.C. WISHART)

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

Company Registration Number : SC010170

LITHGOWS LIMITED
COMPANY BALANCE SHEET AT DECEMBER 31, 2012

	Notes	£'000	2012 £'000	2011 £'000
Fixed assets:				
Tangible assets	7	60		57
Investments:				
Subsidiary undertakings	8a	5,209		4,910
Joint venture	8b	264		176
Unlisted investments	8c	1,776		1,776
			7,309	6,919
Current assets:				
Debtors: amounts falling due within one year	10	165		138
Debtors: amounts falling due after more than one year	10	2,653		2,645
Cash at bank and in hand		311		1,706
		3,129		4,489
Creditors: amounts falling due within one year	11	(877)		(1,184)
Net current assets			2,252	3,305
Total assets less current liabilities			9,561	10,224
Creditors: amounts falling due after more than one year	12		(14)	-
			9,547	10,224
Capital and reserves:				
Called up share capital	17		704	704
Reserves	18		8,843	9,520
Total shareholders' funds			9,547	10,224

The financial statements were approved by the directors on May 29, 2013.

J.F. LITHGOW)
) Directors
A.W.C. WISHART)

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

Company Registration Number : SC010170

LITHGOWS LIMITED

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 £'000	2011 £'000
Net cash (outflow)/inflow from operating activities	19	(558)	4,474
Returns on investments and servicing of finance			
Interest received		2	74
Interest paid		(21)	(19)
Finance lease interest paid		(1)	(2)
Loan interest paid		-	(19)
Net cash (outflow)/inflow from returns on investment and servicing of finance		(20)	34
Capital expenditure and financial investment			
Purchase of fixed assets		(50)	(86)
Sale of fixed assets		3	2
Disposal of investments		-	405
Disposal of business		-	(197)
Purchase of investments		(588)	(2,185)
Net cash outflow from capital expenditure and financial investment		(635)	(2,061)
Dividends paid	6	-	(6)
Financing			
Repayment of borrowings	20	(127)	(1,034)
Capital element of finance lease rentals	20	(4)	(29)
Net cash outflow from financing		(131)	(1,063)
(Decrease)/increase in cash	21	(1,344)	1,378

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 2006 and applicable United Kingdom accounting standards.

The principal accounting policies of the Group, which are summarised below, have remained unchanged from the previous year.

In terms of FRS 15, surplus land is considered to be a separate class of assets. The Group values investments under the alternative accounting rules in accordance with the Companies Act 2006, as explained further below.

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.409 of the Companies Act 2006. The loss of the parent company for the year to December 31, 2012 was £677,000 (2011 – loss of £50,000).

Going concern

The Group has recently prepared trading projections for the three year period through to December 2015. These projections indicate that there will be adequate funding in place during this period to meet the Group's requirements. On this basis, the directors are satisfied that they can continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

ACCOUNTING POLICIES
(continued)

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.

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.

LITHGOWS LIMITED

ACCOUNTING POLICIES
(continued)

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. Full provision is made for losses on all contracts in the year in which they are first foreseen.

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.

ACCOUNTING POLICIES
(continued)

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.

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.

Research and development

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

ACCOUNTING POLICIES
(continued)

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.

Defined benefit pension scheme

Lithgows Limited, the parent company, and a number of subsidiary companies, are participating employers in 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 Group is not able to identify the share of the underlying assets and liabilities in the scheme that relate to its participating employer companies on a consistent and reasonable basis as is required by FRS17, and therefore the Group accounts for its contributions to the scheme as if it were a defined contribution scheme in accordance with FRS17.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

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 which was all within the U.K., and in 2012 was all deemed to be from continuing activities, is attributable to the following activities:-

	2012 £'000	2011 £'000
Marine	2,537	2,913
Engineering and electrical	173	151
Renewable energy	175	172
Others	244	157
Turnover from continuing activities	3,129	3,393
Turnover from discontinued activity – Aquaculture	-	2,309
	3,129	5,702
Share of joint ventures' turnover		
Renewable energy	389	-
Property development	5	45
	3,523	5,747

2. Operating (loss)/profit

(a) Operating (loss)/profit comprises:

	2012 Total £'000	2011 Continuing £'000	2011 Discontinued £'000	2011 Total £'000
Turnover	3,129	3,393	2,309	5,702
Cost of sales	2,996	2,779	1,312	4,091
Gross profit	133	614	997	1,611
Distribution costs	-	-	38	38
Administration costs	1,040	558	379	937
Other operating income	(41)	(46)	(1)	(47)
Operating (loss)/profit	(866)	102	581	683

2. Operating (loss)/profit

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

	2012 £'000	2011 £'000
Items charged:		
Fees payable to group auditors for audit of group financial statements	25	27
Fees payable to group auditors for audit of subsidiary companies	15	18
Fees payable to group auditors for non-audit services	8	9
Depreciation of owned assets	219	263
Depreciation of assets held under finance leases and hire purchase contracts	6	28
Hire of plant	-	22
Operating lease rentals – plant and machinery	26	29
Operating lease rentals – land and buildings	239	235
Items credited:		
Net rental income	5	6
Release from deferred grants	21	33
Gain on sale of assets	3	1

(c) Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	219	549

During the year, 4 directors (2011 – 5 directors) participated in defined benefit pension schemes.

The emoluments of the highest paid director were £109,809 (2011 - £284,021). The highest paid director's accrued pension at the year end was £57,895 (2011 - £95,053).

3. Staff costs

	2012 £'000	2011 £'000
Wages and salaries	1,419	2,192
Social security costs	158	191
Other pensions costs	137	130
	1,714	2,513

The average weekly number of employees during the year was made up as follows:-

	2012 No.	2011 No.
Marine	58	70
Engineering and electrical	1	1
Aquaculture	-	7
Others	8	9
	67	87

4. Net interest

	2012 £'000	2011 £'000
Bank loans and overdrafts	(4)	(29)
Finance charges payable under finance leases and hire purchase contracts	(1)	(2)
Other interest payable	(17)	(9)
	(22)	(40)
Bank deposit interest received	2	5
Other interest receivable	-	69
	(20)	34

5. Taxation credit

	2012 £'000	2011 £'000
The taxation credit for the year represents:		
Tax recoverable on disposal of joint venture investment	-	(45)

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

6. Dividends

	2012 £'000	2011 £'000
Preferred ordinary dividend – interim dividend of £nil (2011 - £9) per share	-	6

7. Tangible fixed assets

Company	Freehold property £'000	Machinery, plant, vehicles and fittings £'000	Total £'000
Cost or valuation:			
At January 1, 2012	331	73	404
Additions	-	8	8
At December 31, 2012	331	81	412
Depreciation			
At January 1, 2012	277	70	347
Charge for the year	1	4	5
At December 31, 2012	278	74	352
Net book value:			
At January 1, 2012	54	3	57
At December 31, 2012	53	7	60

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

7. Tangible fixed assets
(continued)

Group	Freehold property £'000	Surplus land £'000	Leasehold property £'000	Machinery plant vehicles and fittings £'000	Total £'000
Cost or valuation:					
At January 1, 2012	1,386	410	443	2,661	4,900
Additions	-	-	-	96	96
Disposals	-	-	-	(24)	(24)
Impairment	-	(210)	-	-	(210)
At December 31, 2012	1,386	200	443	2,733	4,762
Depreciation:					
At January 1, 2012	750	-	295	1,550	2,595
Charge for the year	12	-	35	178	225
Disposals	-	-	-	(24)	(24)
At December 31, 2012	762	-	330	1,704	2,796
Net book value:					
At January 1, 2012	636	410	148	1,111	2,305
At December 31, 2012	624	200	113	1,029	1,966
Cost or valuation at December 31, 2012, comprises:					
Cost	1,094	-	443	2,733	4,270
Valuation in 1984	112	-	-	-	112
Valuation in 1999	180	-	-	-	180
Valuation in 2012	-	200	-	-	200
	1,386	200	443	2,733	4,762

A site surplus to the current operational requirements of the Group was subject to an impairment in the course of 2012 on the basis of an assessment by the directors of its current market value.

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

7. Tangible fixed assets
(continued)

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

	Surplus land £'000	Freehold property £'000	Total £'000
Historical cost:			
At January 1, 2012	30	151	181
Disposal	-	-	-
At December 31, 2012	30	151	181
Depreciation based on cost:			
At January 1, 2012	-	24	24
Disposal	-	-	-
At December 31, 2012	-	24	24
Net historical cost value:			
At January 1, 2012	30	127	157
At December 31, 2012	30	127	157

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, 2012	-	-
At December 31, 2012	23	45

8. Investments

(a) Subsidiary undertakings:

	2012 £'000	2011 £'000
Company		
Investment in subsidiary undertakings comprises:		
Cost	15,801	13,901
Amounts written off	(11,492)	(5,519)
Amounts due by subsidiaries, less provisions	3,954	4,166
Amounts due to subsidiaries	(3,054)	(7,638)
Net book value	5,209	4,910

Group

At December 31, 2012, 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 and all are 100% owned.

Nature of Business	Company
Marine:	Buckie Shipyard Limited The Marine Resource Centre Limited
Engineering and electrical:	Buckie Fabrications Limited* McKinlay & Blair Limited Prosper Group Limited
Aquaculture:	Ormsary Scallops Limited
Renewable energy:	MRC Energy Limited* Lithgow Energy Limited
Commercial forestry:	Lithgow Factoring Limited

8. Investments
(continued)

(b) Interest in joint ventures

Joint venture	Country of incorporation	Class of share capital held	Proportion held by Group	Nature of business
Achadonn Limited (through Lithgows Limited)	Scotland	Ordinary shares	50%	Property Development
Inver Hydro LLP (through Lithgow Energy Limited)	Scotland	Limited Liability Partnership	50%	Renewable Energy
Allt Dearg Wind Farmers LLP (through Lithgow Energy Limited)	Scotland	Limited Liability Partnership	6%	Renewable Energy

	Company Property Development £'000	Renewable Energy £'000	Group £'000
At January 1, 2012	176	2,190	2,366
Capital contribution	-	588	588
Share of profit retained by joint ventures	88	71	159
At December 31, 2012	**264**	**2,849**	**3,113**

The Group's share in its joint ventures as at December 31, 2012 comprises:

	Company Property Development	Renewable Energy	Group
Turnover	**5**	**389**	**394**
Profit before taxation	**88**	**71**	**159**
Taxation	-	-	-
Profit after taxation	**88**	**71**	**159**

The Group's share in its joint ventures as at December 31, 2011 comprises:

	Company Property Development £'000		Renewable Energy £'000	Group £'000
Turnover	**45**	-	-	**45**
Loss before taxation	**(318)**	-	-	**(318)**
Taxation	-	-	-	-
Loss after taxation	**(318)**	-	-	**(318)**

8. Investments
(continued)

(c) Unlisted investments

Unlisted investments comprise:	Company £'000	Group £'000
Cost:		
At January 1, 2012	1,820	1,917
Additions	-	-
At December 31, 2012	1,820	1,917
Amounts written off:		
At January 1, 2012 and December 31, 2012	44	141
Net book value:		
At January 1, 2012	1,776	1,776
At December 31, 2012	1,776	1,776

The directors are satisfied that the unlisted investments are properly included in the financial statements at cost.

9. Stocks and work-in-progress

	Group	
	2012 £'000	2011 £'000
Raw material and consumables	25	24
Work-in-progress	7	80
Commercial forestry timber	909	-
Livestock	4	8
	945	112

10. Debtors

	Company		Group	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts falling due within one year:				
Trade debtors	6	19	102	328
Amounts due from joint ventures	32	-	40	-
Other debtors	86	74	350	916
Prepayments and accrued income	21	25	194	209
Corporation tax	20	20	20	20
	165	138	706	1,473
Amounts falling due after more than one year:				
Amounts due from joint ventures	2,653	2,645	2,653	2,645

11. Creditors: amounts falling due within one year

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Current instalments due on loans (note 13)	-	-	4	27
Obligations under finance lease and hire purchase contracts (note 14)	8	-	14	-
Trade creditors	57	55	378	293
Other taxes and social security costs	10	26	44	66
Other creditors	122	270	785	454
Preference shares (note13)	550	650	550	650
Pension contributions	5	14	5	14
Accruals	125	169	292	496
	877	1,184	2,072	2,000

12. Creditors: amounts falling due after more than one year

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Loans (note 13)	-	-	-	4
Obligations under finance leases and hire purchase contracts (note 14)	14	-	28	-
	14	-	28	4

13. Loans and borrowings

	Group 2012 £'000	Group 2011 £'000
(a) Loans are repayable as follows		
Wholly repayable within five years	4	31
Instalments due:		
Between two and five years	-	-
Between one and two years	-	4
	-	4
Within one year (note 11)	4	27
	4	31

Details of loans wholly repayable within five years as follows:

	Group 2012 £'000	Group 2011 £'000
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	4	14
Interest free loan advanced in April 2010, and repayable over 29 instalments.	-	17
	4	31

	Company 2012 £'000	Company 2011 £'000	Group 2012 £'000	Group 2011 £'000
(b) Preference shares	550	650	550	650

As the preference shares are redeemable at the option of the shareholder, and there is no confirmation from the shareholders that they will put aside this option, the preference shares have been reclassified as a debt of the company under the terms of FRS25.

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

13. Loans and borrowings
(continued)

	2012 £'000	2011 £'000
(c) Analysis of changes in loan financing:		
At January 1	681	1,715
Capital element of repayments	(127)	(1,034)
At December 31	554	681

14. Obligations under leases and hire purchase contracts

	Company		Group	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts due within one year	9	-	17	-
Amounts due within two to five years	15	-	29	-
	24	-	46	-
Less finance charges allocated to future periods	(2)	-	(4)	-
	22	-	42	-
The above shown as:				
Current obligations (note 11)	8	-	14	-
Non-current obligations (note 12)	14	-	28	-
	22	-	42	-

	Company		Group	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Analysis of changes:				
At January 1	-	-	-	120
New contracts	26	-	46	-
Capital element of repayments	(4)	-	(4)	(29)
Transferred on sale of business	-	-	-	(91)
At December 31	22	-	42	-

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

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

Annual commitments under non cancellable operating leases:

	Land and buildings		Other	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	1	1	6	11
Within the second to fifth years inclusive	79	77	20	15
Over five years	162	159	-	-
	242	237	26	26

15. Deferred taxation

There is no deferred taxation liability as at December 31, 2012 or December 31, 2011.

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.

16. Deferred grants

	Group	
	2012	2011
	£'000	£'000
At January 1	176	316
Released in year	(21)	(33)
Transferred on sale of business	-	(107)
At December 31	155	176

17. Share capital

	2012 £'000	2011 £'000
Authorised:		
Equity interests		
9,346 ordinary shares of £100 each (2011:9,346)	935	935
654 preferred ordinary shares of £100 each (2011:654)	65	65
	1,000	1,000
Allotted, issued and fully paid:		
Equity interests		
6,390 ordinary shares of £100 each (2011:6,390)	639	639
654 preferred ordinary shares of £100 each (2011:654)	65	65
	704	704

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. 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.

18. Company reserves and reconciliation of movements in shareholders' funds

	Capital redemption reserve £'000	Profit and loss account £'000	Total reserves £'000	Called up share capital £'000	Total £'000
At January 1, 2012	325	9,195	9,520	704	10,224
Loss for year	-	(677)	(677)	-	(677)
Dividends	-	-	-	-	-
At December 31, 2012	325	8,518	8,843	704	9,547

19. Net cash (outflow)/inflow from operating activities	2012 £'000	2011 £'000
Operating (loss)/profit	(866)	102
Depreciation	225	238
Increase in stocks	(833)	(79)
Decrease in debtors	759	6,698
Increase/(decrease) in creditors	181	(2,642)
Release from deferred grants	(21)	(23)
Gain on sale of assets	(3)	-
Net cash (outflow)/inflow from continuing operating activities	(558)	4,294
Net cash inflow in respect of discontinued activities	-	180
Net cash (outflow)/inflow from operating activities	(558)	4,474

20. Reconciliation of net cash flow to movement in net funds	2012 £'000	2011 £'000
(Decrease)/increase in cash in the year (note 21)	(1,344)	1,378
Net cash outflow from loans	127	1,034
Cash outflow from finance leases	4	29
Change in net debt resulting from cash flows	(1,213)	2,441
Finance leases transferred on sale of business	-	91
Inception of finance leases	(46)	-
Movement in net funds in the year	(1,259)	2,532
Net funds/(debt) at January 1	1,474	(1,058)
Net funds at December 31	215	1,474

21. Analysis of change in net funds

	At Jan 1 2012 £'000	Cash flow £'000	Non cash items £'000	At Dec 31 2012 £'000
Cash in hand and at bank	2,155	(1,344)	-	811
Debt (note 13)	(681)	127	-	(554)
Finance leases (note 14)	-	4	(46)	(42)
	1,474	(1,213)	(46)	215

22. 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 management services and electrical contracting and labour to Ormsary Farmers and Inver Farmers.

Through Lithgow Energy Limited, the Group has made a capital contribution to Inver Hydro LLP, a joint venture between Lithgow Energy Limited and Inver Farmers. The Group has provided management and electrical contracting services to the joint venture, and some balances under these contracts remained outstanding at the year end.

Through Lithgow Energy Limited, the Group has made a capital contribution to Allt Dearg Wind Farmers LLP, a partnership which also includes Ormsary Farmers. The Group has provided management and electrical contracting services to the joint venture, and some balances under these contracts remained outstanding at the year end.

During 2011, Ormsary Scallops Limited acquired a scallop farming business and related assets from Loch Caolisport Scallops Limited, a company in which James Lithgow is the sole shareholder.

22. Related parties
(continued)

The parent company provides management services to Achadonn Properties Limited, a subsidiary company of its joint venture, Achadonn Limited. A loan balance due from Achadonn Properties Limited remains outstanding at the year end.

Details of the values of these services supplied during the financial years to December 31, 2012 and December 31, 2011 are shown below:-

	2012 £'000	2011 £'000
Provision of electrical contracting services to Ormsary Farmers	26	36
Provision of electrical contracting services to Inver Farmers	4	4
Provision of electrical contracting services to Inver Hydro LLP	25	5
Provision of electrical contracting services to Allt Dearg Wind Farmers LLP	15	-
Provision of management services to Inver Hydro LLP	80	-
Provision of management services to Allt Dearg Wind Farmers LLP	27	-
Provision of management services to Ormsary Farmers	99	-
Provision of services to Achadonn Properties Limited	-	40
Interest arising on loan to Achadonn Properties Limited	-	51
Provision of services by Ormsary Farmers to rear fish stocks	-	221
Provision of services by Inver Farmers to rear fish stocks	-	43
Supply of scallops stock by Loch Caolisport Scallops Limited	-	8
Supply of commercial forestry timber by Ormsary Farmers	909	-

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

	2012 £'000	2011 £'000
Loan balance due by Achadonn Properties Limited	2,653	2,577
Due by Achadonn Properties Limited	-	68
Capital and loan contribution in Inver Hydro LLP	1,570	982
Capital and loan contribution in Allt Dearg Wind Farmers LLP	1,208	1,208
Due by Ormsary Farmers	2	375
Due by Inver Farmers	-	9
Due by Inver Hydro LLP	33	5
Due by Allt Dearg Wind Farmers LLP	7	-
Due to Ormsary Farmers	210	1
Due to Inver Farmers	-	-
Due to Loch Caolisport Scallops Limited	-	8

23. Capital commitments

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Authorised not contracted for, and not provided in these financial statements	-	-	525	-

Subsequent to the year end, the group acquired the refit building which had previously been subject to a long term lease with Highlands and Islands Enterprise, the purchase of which had been authorised as at 31 December 2012 as shown above.

24. Contingent liabilities

There were no contingent liabilities at either December 31, 2012 or December 31, 2011.

25. Guarantees and financial commitments

The company had overdraft and bank loan facility arrangements which were secured by a bond and floating charge over the assets of the company and a guarantee provided by a subsidiary company. At December 31, 2012 there were borrowings of £nil (2011 - £nil) in respect of these facilities. The parent company has also provided guarantees to joint venture partners and subsidiary companies in respect of loans advanced. As at December 31, 2012 the amount covered by these guarantees totalled £4,000 (2011 - £13,000).

26. Pension commitments

The Group is a member of 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.

In addition, Lithgows Limited, the parent company, and a number of subsidiary companies are participating employer companies within a multi-employer defined benefit scheme, The Lithgows Limited Pension Scheme, as well as entities which are not members of the Group. The Group is not able to identify the share of the underlying assets and liabilities in the scheme that relate to its participating employer companies on a consistent and reasonable basis as is required by FRS17, and therefore the Group accounts for its contributions to the scheme as if it were a defined contribution scheme in accordance with FRS17. The gain that arose from the de-recognition of the pension deficit that was estimated at the time of this change in accounting policy was reflected in the Group statement of total recognised gains and losses for the year ended December 31, 2011.

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012

26. Pension commitments
(continued)

The assets of the defined benefit scheme are held separately from those of the Group, being managed by independent fund managers. Cost and liabilities are based on actuarial valuations. The scheme actuary has estimated that the overall scheme deficit at the year end was as follows. The participating employers with the scheme, including the parent company and a number of subsidiary companies, have entered into a schedule of contributions with the scheme which will result in deficit recovery payments being made to address this position.

Change in benefit obligations

	2012 £'000	2011 £'000
As at January 1	33,668	29,148
Current service cost	78	86
Interest cost	1,549	1,584
Scheme participants' contributions	90	191
Actuarial losses	662	3,691
Benefits paid	(1,613)	(1,032)
As at December 31	34,434	33,668

Change in scheme assets

	2012 £'000	2011 £'000
Fair value of scheme assets at beginning of year	19,264	20,365
Expected return on scheme assets	1,015	1,236
Actuarial gains/(losses)	668	(3,075)
Employer contribution	442	1,654
Member contributions	90	116
Benefits paid	(1,613)	(1,032)
Fair value of scheme assets at end of year	19,866	19,264
Net fund deficit	(14,568)	(14,404)