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COMPANIES HOUSE

Report and Financial Statements 2013

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT

The Group has reported a pre-tax profit of £46,000 in the year to December 31, 2013. Shareholders' funds stood at £9,741,000, with gearing at less than 5%.

For the first time, our financial statements incorporate a full 12 month trading performance of the two renewable energy joint ventures, Allt Dearg Wind Farmers LLP and Inver Hydro LLP. I am delighted to advise that both have performed in excess of the initial financial forecasts that had been prepared for them.

Allt Dearg obtained full electrical connection on Christmas Eve, 2012 and in the 12 months thereafter it achieved a capacity factor of 51% in terms of generation output. This is close to twice the national average of UK mainland onshore schemes, and as a consequence Allt Dearg can lay claim to being the most successful scheme of its size in the country. It is of particular pleasure to see the success of Allt Dearg being shared by the local Ardrishaig community as it is a member of the LLP which owns and operates the scheme.

The new scheme at Inver Hydro LLP has also been a significant success since it commenced generation in July 2012. In the 12 months to December 31, 2013 a total in excess of 5.6GWh of power was generated. Subsequent to the year end, Inver Hydro has successfully installed and commissioned a second turbine on site in Jura. As well as enabling projected generation to increase to an overall level of 7GWh per annum, this installation offers a significant back-up resource in ensuring an acceptable financial return from the investment in the joint venture.

In addition to these joint ventures, the long-established wholly owned storage hydro system at MRC Energy continues to operate satisfactorily, with a steady profit and cash flow obtained. These developments underpin the Group's strategy of involvement in renewable energy projects, and further progress in this regard will be made in 2014. As well as the expansion in Inver Hydro, the necessary planning and funding for the development of a further 6MW wind farm in Argyll is being satisfactorily progressed, with the initial construction work planned to commence in 2014. This project will once again provide an opportunity for local communities to participate in it as stakeholders, and it is anticipated that generation from the scheme will commence towards the end of 2015.

It is disappointing to report that the directors of Buckie Shipyard had to appoint Administrators to this subsidiary company in August 2013. The financial consequence of its demise has had a significant impact on the overall Group financial performance in 2013. Despite the best efforts of local management, Buckie Shipyard was unable to retain an adequately skilled workforce, particularly given the competition to the local wage rates paid to offshore workers, and to attract sufficient and financially viable work packages to replace the sizeable levels of activity that were lost with the sudden decision taken by the RNLI in 2011 to cease working with the yard in Buckie.

LITHGOWS LIMITED**CHAIRMAN'S STATEMENT AND STRATEGIC REPORT***(continued)*

The Marine Resource Centre based at Barcaldine, near Oban, continues to perform well, with the yacht mooring and storage activity reporting its highest ever revenue level in 2013. Work has been undertaken in the first quarter of 2014 to extend the pontoon facility, and further enhancements to the onshore facilities that are available are also ongoing. There has been continued success in increasing the utilisation of the excellent pier and slipway facilities on site, and we continue to modestly grow our services to companies in the aquaculture sector, as well as attracting new tenants to the facilities offered on the site.

The Campbeltown based electrical contracting business, McKinlay & Blair plays an integral role in the support of the Group's increasing renewable energy activities, with appropriate high level technical qualifications being obtained which enable the company to be appropriately certified to support this sector. The company reported further operating profits in 2013.

With the continued full support of its shareholders, our property joint venture company, Achadonn Properties, has concluded a Settlement Agreement with its bankers which will enable the joint venture to take a long term strategy in the holding and realising of value from its land bank. I am confident that in the short to medium term the Group will generate further cash from the other remaining property assets which are surplus to current operational requirements.

Given the advances that have been made in a number of areas, the 2013 financial performance was disappointing, being significantly influenced by the failure of Buckie Shipyard. However, I am confident we will build on our current position as we make progress in our renewable energy schemes, and this will result in the generation of strong and consistent cash flows for the Group for many years ahead.



JAMES F. LITHGOW
Chairman

May 12, 2014

LITHGOWS LIMITED

Directors

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

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

Mr. A.R. Reid (*Non-Executive*)

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

Mr. A.W.C. Wishart (*Finance Director and Company Secretary*)

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, 2013.

Results and dividends

The Group trading profit for the year before taxation amounted to £46,000.

No dividends have been paid during the year.

Review of the business and strategic report

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, the Groups' strategy and its future developments are contained in the Chairman's statement on pages 1 and 2.

Directors

The directors as at December 31, 2013 are stated on page 3.

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

Mr. S.L. Rickman resigned as director with effect from April 29, 2014.

LITHGOWS LIMITED

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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 2016. 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.

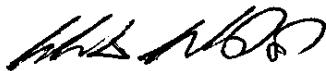
LITHGOWS LIMITED**DIRECTORS' REPORT**
(continued)**Employees**

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.W.C. WISHART
Finance Director and Company Secretary

May 12, 2014

**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, 2013 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, 2013 and the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

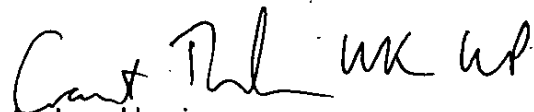
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Chairman's Statement and Strategic Report and 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.



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

May 12, 2014

LITHGOWS LIMITED

10.

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Notes</u> | <u>2013</u> £'000 | <u>2013</u> £'000 | <u>2012</u> £'000 | <u>2012</u> £'000 |
|---|--------------|----------------------|----------------------|----------------------|----------------------|
| TURNOVER | | | | | |
| Group and share of joint ventures' turnover | | | 3,099 | | 3,523 |
| Less: share of joint ventures' turnover | | | (1,793) | | (394) |
| GROUP TURNOVER | 1 | | | | |
| Continuing operations | | 1,048 | | 1,155 | |
| Discontinued operations | | 258 | | 1,974 | |
| | | | 1,306 | | 3,129 |
| OPERATING LOSS | 2 | | | | |
| Continuing operations | | (153) | | (83) | |
| Discontinued operations | | (517) | | (783) | |
| | | | (670) | | (866) |
| Share of operating profit of joint ventures | 8 | | 792 | | 159 |
| Income from unlisted investments | | | 61 | | - |
| | | | 183 | | (707) |
| Loss arising on administration of subsidiary companies | | | (111) | | - |
| | | | 72 | | (707) |
| Net interest | 4 | | (26) | | (20) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | | 46 | | (727) |
| Taxation | 5 | | (20) | | - |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION | | | 26 | | (727) |

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, 2013**

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|--|----------------------|----------------------|
| Profit/(loss) for the year | 46 | (727) |
| Impairment to revaluation of land | - | (210) |
| | <hr/> | <hr/> |
| Total recognised gains/(losses) for the year | 46 | (937) |
| | <hr/> | <hr/> |

NOTE OF HISTORICAL COST PROFITS AND LOSSES

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|--|----------------------|----------------------|
| Reported profit/(loss) on ordinary activities before taxation | 46 | (727) |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | - | 5 |
| | <hr/> | <hr/> |
| Historical cost profit/(loss) on ordinary activities before taxation | 46 | (722) |
| | <hr/> | <hr/> |
| Historical cost profit/(loss) retained | 26 | (722) |
| | <hr/> | <hr/> |

*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**

| | <u>Profit and loss account</u> £'000 | <u>Reval- uation surplus</u> £'000 | <u>Capital redemption reserves</u> £'000 | <u>Total reserves</u> £'000 | <u>Called-up share capital</u> £'000 | <u>Total share- holders' funds</u> £'000 |
|-----------------------------------|---|---|---|------------------------------------|---|---|
| At January 1, 2012 | 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 |
| Movements in 2013: | | | | | | |
| Dividends paid (note 6) | - | - | - | - | - | - |
| Profit for the year | 26 | - | - | 26 | - | 26 |
| At December 31, 2013 | 8,542 | 170 | 325 | 9,037 | 704 | 9,741 |

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

LITHGOWS LIMITED
GROUP BALANCE SHEET AT DECEMBER 31, 2013

13.

| | Notes | £'000 | 2013 £'000 | 2012 £'000 |
|---|-------|---------|---------------|---------------|
| Fixed assets: | | | | |
| Tangible assets | 7 | 1,422 | | 1,966 |
| Investments: | | | | |
| Joint ventures | 8b | 3,612 | | 3,113 |
| Unlisted investments | 8c | 1,776 | | 1,776 |
| | | | 6,810 | 6,855 |
| Current assets: | | | | |
| Stocks and work-in-progress | 9 | 922 | | 945 |
| Debtors: amounts falling due within one year | 10 | 365 | | 706 |
| Debtors: amounts falling due after more than one year | 10 | 2,729 | | 2,653 |
| Cash at bank and in hand | | 137 | | 811 |
| | | 4,153 | | 5,115 |
| Creditors: amounts falling due within one year | 11 | (1,050) | | (2,072) |
| Net current assets | | | 3,103 | 3,043 |
| Total assets less current liabilities | | | 9,913 | 9,898 |
| Creditors: amounts falling due after more than one year | 12 | | (70) | (28) |
| Accruals and deferred income: | | | | |
| Deferred grants | 16 | | (102) | (155) |
| Net assets | | | 9,741 | 9,715 |
| Capital and reserves: | | | | |
| Called up share capital | 17 | | 704 | 704 |
| Reserves | | | 9,037 | 9,011 |
| Total shareholders' funds | | | 9,741 | 9,715 |

The financial statements were approved by the directors on May 12, 2014.


J.F. LITHGOW


A.W.C. WISHART

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) Directors
)

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, 2013

14.

| | Notes | £'000 | 2013 £'000 | 2012 £'000 |
|---|-------|-------|---------------|---------------|
| Fixed assets: | | | | |
| Tangible assets | 7 | 71 | | 60 |
| Investments: | | | | |
| Subsidiary undertakings | 8a | 4,473 | | 5,209 |
| Joint venture | 8b | 255 | | 264 |
| Unlisted investments | 8c | 1,776 | | 1,776 |
| | | | 6,575 | 7,309 |
| Current assets: | | | | |
| Debtors: amounts falling due within one year | 10 | 81 | | 165 |
| Debtors: amounts falling due after more than one year | 10 | 2,729 | | 2,653 |
| Cash at bank and in hand | | 47 | | 311 |
| | | 2,857 | | 3,129 |
| Creditors: amounts falling due within one year | 11 | (789) | | (877) |
| Net current assets | | | 2,068 | 2,252 |
| Total assets less current liabilities | | | 8,643 | 9,561 |
| Creditors: amounts falling due after more than one year | 12 | | (5) | (14) |
| | | | 8,638 | 9,547 |
| Capital and reserves: | | | | |
| Called up share capital | 17 | | 704 | 704 |
| Reserves | 18 | | 7,934 | 8,843 |
| Total shareholders' funds | | | 8,638 | 9,547 |

The financial statements were approved by the directors on May 12, 2014.

J.F. LITHGOW

A.W.C. WISHART

) Directors

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, 2013

| | <u>Notes</u> | <u>2013</u> £'000 | <u>2012</u> £'000 |
|---|--------------|----------------------|----------------------|
| Net cash outflow from operating activities | 19 | (927) | (558) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 4 | 2 |
| Interest paid | | (8) | (21) |
| Finance lease interest paid | | (3) | (1) |
| Loan interest paid | | (19) | - |
| Net cash outflow from returns on investment and servicing of finance | | (26) | (20) |
| Capital expenditure and financial investment | | | |
| Purchase of fixed assets | | (590) | (50) |
| Sale of fixed assets | | 7 | 3 |
| Income from unlisted investments | | 61 | - |
| Distributions received from joint ventures | | 58 | - |
| Capital contributions repaid from/(paid to) joint ventures | | 235 | (588) |
| Net cash outflow from capital expenditure and financial investment | | (229) | (635) |
| Dividends paid | 6 | - | - |
| Financing | | | |
| Inception of loans | | 616 | - |
| Repayment of borrowings | | (90) | (127) |
| Capital element of finance lease rentals | 20 | (16) | (4) |
| Net cash inflow/(outflow) from financing | | 510 | (131) |
| Decrease in cash | 21 | (672) | (1,344) |

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, 2013 was £909,000 (2012 – loss of £677,000).

Going concern

The Group has recently prepared trading projections for the three year period through to December 2016. 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 relate.

LITHGOWS LIMITED**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.

LITHGOWS LIMITED**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, 2013**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:-

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|---|----------------------|----------------------|
| Marine | 548 | 563 |
| Engineering and electrical | 140 | 173 |
| Renewable energy | 156 | 175 |
| Others | 204 | 244 |
| | <hr/> | <hr/> |
| Turnover from continuing activities | 1,048 | 1,155 |
| Turnover from discontinued activity – Buckie Shipyard | 258 | 1,974 |
| | <hr/> | <hr/> |
| | 1,306 | 3,129 |
| Share of joint ventures' turnover | | |
| Renewable energy | 1,793 | 389 |
| Property development | - | 5 |
| | <hr/> | <hr/> |
| | 3,099 | 3,523 |
| | <hr/> | <hr/> |

2. Operating loss

(a) Operating loss comprises:

| | <u>2013</u> <u>Continuing</u> £'000 | <u>2013</u> <u>Discontinued</u> £'000 | <u>2013</u> <u>Total</u> £'000 | <u>2012</u> <u>Continuing</u> £'000 | <u>2012</u> <u>Discontinued</u> £'000 | <u>2012</u> <u>Total</u> £'000 |
|------------------------|---|---|--------------------------------------|---|---|--------------------------------------|
| Turnover | 1,048 | 258 | 1,306 | 1,155 | 1,974 | 3,129 |
| Cost of sales | 511 | 500 | 1,011 | 525 | 2,471 | 2,996 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Gross profit/(loss) | 537 | (242) | 295 | 630 | (497) | 133 |
| Administration costs | 722 | 279 | 1,001 | 740 | 300 | 1,040 |
| Other operating income | (32) | (4) | (36) | (27) | (14) | (41) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Operating loss | (153) | (517) | (670) | (83) | (783) | (866) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

22.

2. Operating loss

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

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|--|----------------------|----------------------|
| Items charged: | | |
| Fees payable to group auditors for audit of group financial statements | 12 | 25 |
| Fees payable to group auditors for audit of subsidiary companies | 6 | 15 |
| Fees payable to group auditors for non-audit services | 5 | 8 |
| Depreciation of owned assets | 187 | 219 |
| Depreciation of assets held under finance leases and hire purchase contracts | 13 | 6 |
| Operating lease rentals – plant and machinery | 26 | 26 |
| Operating lease rentals – land and buildings | 101 | 239 |
| | <hr/> | <hr/> |
| Items credited: | | |
| Net rental income | 5 | 5 |
| Release from deferred grants | 14 | 21 |
| Gain on sale of assets | 7 | 3 |
| | <hr/> | <hr/> |

(c) Directors' emoluments

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|----------------------|----------------------|----------------------|
| Aggregate emoluments | 232 | 219 |
| | <hr/> | <hr/> |

During the year, 4 directors (2012 – 4 directors) participated in defined benefit pension schemes.

The emoluments of the highest paid director were £115,570 (2012 - £109,809). The highest paid director's accrued pension at the year end was £60,992 (2012 - £57,895).

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

23.

| 3. <u>Staff costs</u> | <u>2013</u> £'000 | <u>2012</u> £'000 |
|-----------------------|----------------------|----------------------|
| Wages and salaries | 1,348 | 1,419 |
| Social security costs | 123 | 158 |
| Other pensions costs | 71 | 137 |
| | <hr/> | <hr/> |
| | 1,542 | 1,714 |
| | <hr/> | <hr/> |

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

| | <u>2013</u> No. | <u>2012</u> No. |
|----------------------------|--------------------|--------------------|
| Marine | 41 | 58 |
| Engineering and electrical | 1 | 1 |
| Others | 7 | 8 |
| | <hr/> | <hr/> |
| | 49 | 67 |
| | <hr/> | <hr/> |

| 4. <u>Net interest</u> | <u>2013</u> £'000 | <u>2012</u> £'000 |
|---|----------------------|----------------------|
| Bank loans and overdrafts | (1) | (4) |
| Finance charges payable under finance leases and hire purchase contracts | (3) | (1) |
| Other interest payable | (26) | (17) |
| | <hr/> | <hr/> |
| | (30) | (22) |
| Bank deposit interest received | 1 | 2 |
| Other interest receivable | 3 | - |
| | <hr/> | <hr/> |
| | (26) | (20) |
| | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

24.

5. Taxation2013
£'0002012
£'000

The taxation charge for the year represents:

Debtor no longer deemed recoverable

20

-

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

6. Dividends2013
£'0002012
£'000

Preferred ordinary dividend – interim dividend of £nil
(2012 - £nil) per share

-

-

7. Tangible fixed assets

| Company | Freehold property £'000 | Machinery, plant, vehicles and fittings £'000 | Total £'000 |
|----------------------|-------------------------------|---|----------------|
| | | | |
| Cost or valuation: | | | |
| At January 1, 2013 | 331 | 81 | 412 |
| Additions | - | 19 | 19 |
| | | | |
| At December 31, 2013 | 331 | 100 | 431 |
| Depreciation | | | |
| At January 1, 2013 | 278 | 74 | 352 |
| Charge for the year | 1 | 7 | 8 |
| | | | |
| At December 31, 2013 | 279 | 81 | 360 |
| Net book value: | | | |
| At January 1, 2013 | 53 | 7 | 60 |
| | | | |
| At December 31, 2013 | 52 | 19 | 71 |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013****7. Tangible fixed assets***(continued)*

| <u>Group</u> | <u>Freehold property £'000</u> | <u>Surplus land £'000</u> | <u>Leasehold property £'000</u> | <u>Machinery plant vehicles and fittings £'000</u> | <u>Total £'000</u> |
|--|--|-----------------------------------|---|--|------------------------|
| Cost or valuation: | | | | | |
| At January 1, 2013 | 1,386 | 200 | 443 | 2,733 | 4,762 |
| Additions | 482 | - | 50 | 69 | 601 |
| Disposals | - | - | - | (45) | (45) |
| Reclassification | (37) | - | - | 302 | 265 |
| Eliminated on administration of subsidiaries | (482) | - | (493) | (1,317) | (2,292) |
| At December 31, 2013 | 1,349 | 200 | - | 1,742 | 3,291 |
| Depreciation: | | | | | |
| At January 1, 2013 | 762 | - | 330 | 1,704 | 2,796 |
| Charge for the year | 20 | - | 10 | 170 | 200 |
| Disposals | - | - | - | (45) | (45) |
| Reclassification | (37) | - | - | 302 | 265 |
| Eliminated on administration of subsidiaries | (13) | - | (340) | (994) | (1,347) |
| At December 31, 2013 | 732 | - | - | 1,137 | 1,869 |
| Net book value: | | | | | |
| At January 1, 2013 | 624 | 200 | 113 | 1,029 | 1,966 |
| At December 31, 2013 | 617 | 200 | - | 605 | 1,422 |
| Cost or valuation at December 31, 2013, comprises: | | | | | |
| Cost | 1,057 | - | - | 1,742 | 2,799 |
| Valuation in 1984 | 112 | - | - | - | 112 |
| Valuation in 1999 | 180 | - | - | - | 180 |
| Valuation in 2012 | - | 200 | - | - | 200 |
| | 1,349 | 200 | - | 1,742 | 3,291 |

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, 2013****7. Tangible fixed assets**
(continued)

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

| | <u>Surplus land £'000</u> | <u>Freehold property £'000</u> | <u>Total £'000</u> |
|-----------------------------|-----------------------------------|--|------------------------|
| Historical cost: | | | |
| At January 1, 2013 | 30 | 151 | 181 |
| Disposal | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At December 31, 2013 | 30 | 151 | 181 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation based on cost: | | | |
| At January 1, 2013 | - | 24 | 24 |
| Disposal | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At December 31, 2013 | - | 24 | 24 |
| | <hr/> | <hr/> | <hr/> |
| Net historical cost value: | | | |
| At January 1, 2013 | 30 | 127 | 157 |
| | <hr/> | <hr/> | <hr/> |
| At December 31, 2013 | 30 | 127 | 157 |
| | <hr/> | <hr/> | <hr/> |

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.

| | <u>Company £'000</u> | <u>Group £'000</u> |
|----------------------|--------------------------|------------------------|
| Net book value: | | |
| At January 1, 2013 | - | 45 |
| | <hr/> | <hr/> |
| At December 31, 2013 | - | 42 |
| | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

27.

8. Investments

| | | |
|--|-------------|-------------|
| (a) Subsidiary undertakings: | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 |
| <u>Company</u> | | |
| Investment in subsidiary undertakings comprises: | | |
| Cost | 16,097 | 15,801 |
| Amounts written off | (12,154) | (11,492) |
| Amounts due by subsidiaries, less provisions | 3,915 | 3,954 |
| Amounts due to subsidiaries | (3,385) | (3,054) |
| | <hr/> | <hr/> |
| Net book value | 4,473 | 5,209 |
| | <hr/> | <hr/> |
| <u>Group</u> | | |

At December 31, 2013, 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.

| | |
|------------------------------------|---|
| <u>Nature of Business</u> | <u>Company</u> |
| Marine: | The Marine Resource Centre Limited |
| Engineering and electrical: | McKinlay & Blair Limited Prosper Group Limited |
| Aquaculture: | Ormsary Scallops Limited |
| Renewable energy: | MRC Energy Limited* Wet & Windy Energy Limited |
| Commercial forestry: | Lithgow Factoring Limited |

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013

28.

8. Investments
(continued)

(b) Interest in joint ventures

| <u>Joint venture</u> | <u>Country of incorporation</u> | <u>Class of share capital held</u> | <u>Proportion held by Group</u> | <u>Nature of business</u> |
|---|---------------------------------|------------------------------------|---------------------------------|---------------------------|
| Achadonn Limited (through Lithgows Limited) | Scotland | Ordinary shares | 50% | Property Development |
| Inver Hydro LLP (through Wet & Windy Energy Limited) | Scotland | Limited Liability Partnership | 50% | Renewable Energy |
| Allt Dearg Wind Farmers LLP (through Wet & Windy Energy Limited) | Scotland | Limited Liability Partnership | 25% | Renewable Energy |

| | <u>Company</u> | <u>Renewable Energy</u> | <u>Group</u> |
|--|--------------------------------------|-------------------------|--------------|
| | <u>Property Development</u> £'000 | <u>Energy</u> £'000 | £'000 |
| At January 1, 2013 | 264 | 2,849 | 3,113 |
| Capital contributions repaid | - | (235) | (235) |
| Share of (loss)/profit of joint ventures | (9) | 801 | 792 |
| Profits distributed by joint ventures | - | (58) | (58) |
| At December 31, 2013 | 255 | 3,357 | 3,612 |

The Group's share in its joint ventures as at December 31, 2013 comprises:

| | | | |
|--------------------------------------|------------|------------|------------|
| Turnover | - | 1,793 | 1,793 |
| (Loss)/profit before taxation | (9) | 801 | 792 |
| Taxation | - | - | - |
| (Loss)/profit after taxation | (9) | 801 | 792 |

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

| | <u>Company</u> | <u>Renewable Energy</u> | <u>Group</u> |
|-------------------------------|--------------------------------------|-------------------------|--------------|
| | <u>Property Development</u> £'000 | <u>Energy</u> £'000 | £'000 |
| Turnover | 5 | 389 | 394 |
| Profit before taxation | 88 | 71 | 159 |
| Taxation | - | - | - |
| Profit after taxation | 88 | 71 | 159 |

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013

29.

8. Investments
(continued)

(c) Unlisted investments

Unlisted investments comprise:

| | <u>Company</u> £'000 | <u>Group</u> £'000 |
|--|-------------------------|-----------------------|
| Cost: | | |
| At January 1, 2013 | 1,820 | 1,917 |
| Additions | - | - |
| | <hr/> | <hr/> |
| At December 31, 2013 | 1,820 | 1,917 |
| | <hr/> | <hr/> |
| Amounts written off: | | |
| At January 1, 2013 and December 31, 2013 | 44 | 141 |
| | <hr/> | <hr/> |
| Net book value: | | |
| At January 1, 2013 | 1,776 | 1,776 |
| | <hr/> | <hr/> |
| At December 31, 2013 | 1,776 | 1,776 |
| | <hr/> | <hr/> |

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

9. Stocks and work-in-progress

| | <u>2013</u> £'000 | <u>Group</u> <u>2012</u> £'000 |
|------------------------------|----------------------|--------------------------------------|
| Raw material and consumables | 12 | 25 |
| Work-in-progress | - | 7 |
| Commercial forestry timber | 909 | 909 |
| Livestock | 1 | 4 |
| | <hr/> | <hr/> |
| | 922 | 945 |
| | <hr/> | <hr/> |

10. Debtors

| | <u>2013</u> £'000 | <u>Company</u> <u>2012</u> £'000 | <u>2013</u> £'000 | <u>Group</u> <u>2012</u> £'000 |
|---|----------------------|--|----------------------|--------------------------------------|
| Amounts falling due within one year: | | | | |
| Trade debtors | 13 | 6 | 122 | 102 |
| Amounts due from joint ventures | 11 | 32 | 11 | 40 |
| Other debtors | 37 | 86 | 169 | 350 |
| Prepayments and accrued income | 20 | 21 | 63 | 194 |
| Corporation tax | - | 20 | - | 20 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 81 | 165 | 365 | 706 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Amounts falling due after more than one year: | | | | |
| Amounts due from joint ventures | 2,729 | 2,653 | 2,729 | 2,653 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

30.

11. Creditors: amounts falling due within one year

| | <u>Company</u> | | <u>Group</u> | |
|---|----------------|-------------|--------------|--------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Current instalments due on loans (note 13) | - | - | 4 | 4 |
| Obligations under finance lease and hire purchase contracts (note 14) | 9 | 8 | 19 | 14 |
| Trade creditors | 62 | 57 | 91 | 378 |
| Other taxes and social security costs | 10 | 10 | 15 | 44 |
| Other creditors | 89 | 122 | 209 | 785 |
| Preference shares (note 13) | 488 | 550 | 488 | 550 |
| Pension contributions | 32 | 5 | 32 | 5 |
| Accruals | 99 | 125 | 192 | 292 |
| | <u>789</u> | <u>877</u> | <u>1,050</u> | <u>2,072</u> |

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

| | <u>Company</u> | | <u>Group</u> | |
|--|----------------|-------------|--------------|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Loans (note 13) | - | - | 52 | - |
| Obligations under finance leases and hire purchase contracts (note 14) | 5 | 14 | 18 | 28 |
| | <u>5</u> | <u>14</u> | <u>70</u> | <u>28</u> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

31.

13. Loans and borrowings

| | <u>2013</u> | <u>Group</u> <u>2012</u> |
|--|-------------|-----------------------------|
| | £'000 | £'000 |
| (a) Loans are repayable as follows | | |
| Not wholly repayable within five years | 56 | - |
| Wholly repayable within five years | - | 4 |
| Instalments due: | | |
| Over five years | 33 | - |
| Between two and five years | 11 | - |
| Between one and two years | 8 | - |
| | 52 | - |
| Within one year (note 11) | 4 | 4 |
| | 56 | 4 |

Details of loans wholly repayable within five years as follows:

A non-interest bearing loan was provided by Allt Dearg Wind Farmers LLP to Wet & Windy Energy Limited in April 2013. It is repayable over a fifteen year period, on a half yearly repayment programme, commencing from October 2013.

| | |
|----|---|
| 56 | - |
|----|---|

Details of loans wholly repayable within five years 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 was provided. Interest was charged at the rate of 7.5% per annum

| | |
|---|---|
| - | 4 |
|---|---|

| | <u>Company</u> <u>2013</u> | <u>2012</u> | <u>Group</u> <u>2013</u> | <u>2012</u> |
|-----------------------|-------------------------------|-------------|-----------------------------|-------------|
| | £'000 | £'000 | £'000 | £'000 |
| (b) Preference shares | 488 | 550 | 488 | 550 |

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, 2013****13. Loans and borrowings**
(continued)

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|--|----------------------|----------------------|
| (c) Analysis of changes in loan financing: | | |
| At January 1 | 554 | 681 |
| Loans received | 616 | - |
| Capital element of repayments | (90) | (127) |
| Loans eliminated transferred on administration of subsidiaries | (536) | - |
| | <hr/> | <hr/> |
| At December 31 | 544 | 554 |
| | <hr/> | <hr/> |

14. Obligations under leases and hire purchase contracts

| | <u>Company</u> | | <u>Group</u> | |
|--|----------------------|----------------------|----------------------|----------------------|
| | <u>2013</u> £'000 | <u>2012</u> £'000 | <u>2013</u> £'000 | <u>2012</u> £'000 |
| Amounts due within one year | 10 | 9 | 21 | 17 |
| Amounts due within two to five years | 5 | 15 | 19 | 29 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 15 | 24 | 40 | 46 |
| Less finance charges allocated to future periods | (1) | (2) | (3) | (4) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 14 | 22 | 37 | 42 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| The above shown as: | | | | |
| Current obligations (note 11) | 9 | 8 | 19 | 14 |
| Non-current obligations (note 12) | 5 | 14 | 18 | 28 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 14 | 22 | 37 | 42 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | | |
| | <u>Company</u> | | <u>Group</u> | |
| | <u>2013</u> £'000 | <u>2012</u> £'000 | <u>2013</u> £'000 | <u>2012</u> £'000 |
| Analysis of changes: | | | | |
| At January 1 | 22 | - | 42 | - |
| New contracts | - | 26 | 11 | 46 |
| Capital element of repayments | (8) | (4) | (16) | (4) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At December 31 | 14 | 22 | 37 | 42 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013****14. Obligations under leases and hire purchase contracts**
(continued)

Annual commitments under non cancellable operating leases:

| | <u>Land and buildings</u> | | <u>Other</u> | |
|--|---------------------------|--------------|--------------|--------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Leases which expire: | | | | |
| Within one year | - | 1 | 1 | 6 |
| Within the second to fifth years inclusive | 18 | 79 | 13 | 20 |
| Over five years | 7 | 162 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 25 | 242 | 14 | 26 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

15. Deferred taxation

There is no deferred taxation liability as at December 31, 2013 or December 31, 2012.

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

| | <u>Group</u> | |
|--|--------------|--------------|
| | <u>2013</u> | <u>2012</u> |
| | <u>£'000</u> | <u>£'000</u> |
| At January 1 | 155 | 176 |
| Released in year | (14) | (21) |
| Eliminated on administration of subsidiaries | (39) | - |
| | <hr/> | <hr/> |
| At December 31 | 102 | 155 |
| | <hr/> | <hr/> |

LITHGOWS LIMITED

34.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013

| <u>17. Share capital</u> | <u>2013</u> £'000 | <u>2012</u> £'000 |
|---|----------------------|----------------------|
| Authorised: | | |
| Equity interests | | |
| 9,346 ordinary shares of £100 each (2012:9,346) | 935 | 935 |
| 654 preferred ordinary shares of £100 each (2012:654) | 65 | 65 |
| | <hr/> | <hr/> |
| | 1,000 | 1,000 |
| | <hr/> | <hr/> |
| Allotted, issued and fully paid: | | |
| Equity interests | | |
| 6,390 ordinary shares of £100 each (2012:6,390) | 639 | 639 |
| 654 preferred ordinary shares of £100 each (2012:654) | 65 | 65 |
| | <hr/> | <hr/> |
| | 704 | 704 |
| | <hr/> | <hr/> |

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

| | <u>Capital</u> <u>redemption</u> <u>reserve</u> £'000 | <u>Profit</u> <u>and loss</u> <u>account</u> £'000 | <u>Total</u> <u>reserves</u> £'000 | <u>Called up</u> <u>share</u> <u>capital</u> £'000 | <u>Total</u> £'000 |
|----------------------|--|---|--|---|-----------------------|
| At January 1, 2013 | 325 | 8,518 | 8,843 | 704 | 9,547 |
| Loss for year | - | (909) | (909) | - | (909) |
| Dividends | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At December 31, 2013 | 325 | 7,609 | 7,934 | 704 | 8,638 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

35.

| | | |
|---|--------------------|--------------------|
| 19. <u>Net cash outflow from operating activities</u> | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 |
| Operating loss | (153) | (83) |
| Depreciation | 120 | 116 |
| Decrease/(increase) in stocks | 5 | (905) |
| Decrease in debtors | 65 | 509 |
| Decrease in creditors | (158) | (300) |
| Release from deferred grants | (11) | (10) |
| Gain on sale of assets | (7) | - |
| | <hr/> | <hr/> |
| Net cash outflow from continuing operating activities | (139) | (673) |
| Net cash (outflow)/inflow in respect of discontinued activities | (788) | 115 |
| | <hr/> | <hr/> |
| Net cash outflow from operating activities | (927) | (558) |
| | <hr/> | <hr/> |
| 20. <u>Reconciliation of net cash flow to movement in net (debt)/funds</u> | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 |
| Decrease in cash in the year (note 21) | (672) | (1,344) |
| Net cash (inflow)/outflow from loans | (526) | 127 |
| Cash outflow from finance leases | 16 | 4 |
| | <hr/> | <hr/> |
| Change in net (debt)/funds resulting from cash flows | (1,182) | (1,213) |
| Net debt eliminated on administration of subsidiaries | 534 | - |
| Inception of finance leases | (11) | (46) |
| | <hr/> | <hr/> |
| Movement in net (debt)/funds in the year | (659) | (1,259) |
| Net funds at January 1 | 215 | 1,474 |
| | <hr/> | <hr/> |
| Net (debt)/funds at December 31 | (444) | 215 |
| | <hr/> | <hr/> |

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

36.

21. Analysis of change in net funds/(debt)

| | <u>At Jan 1</u> | <u>Cash flow</u> | <u>Non cash</u> | <u>At Dec 31</u> |
|--------------------------|-----------------|------------------|-----------------|------------------|
| | <u>2013</u> | <u>£'000</u> | <u>items</u> | <u>2013</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Cash in hand and at bank | 811 | (672) | (2) | 137 |
| Debt (note 13) | (554) | (526) | 536 | (544) |
| Finance leases (note 14) | (42) | 16 | (11) | (37) |
| | <u>215</u> | <u>(1,182)</u> | <u>523</u> | <u>(444)</u> |

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 by Ormsary Farmers of consultancy services, and the provision of management services and electrical contracting and labour to Ormsary Farmers and Inver Farmers. Income from these unlisted investments has been recorded in the year to December 31, 2013.

Through Wet & Windy Energy Limited, the Group has made capital contributions to Inver Hydro LLP, a joint venture between Wet & Windy 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 Wet & Windy Energy Limited, the Group has made capital contributions to Allt Dearg Wind Farmers LLP, a partnership which also includes Ormsary Farmers. An element of the profits made by Allt Dearg Wind Farmers LLP has been distributed to Wet & Windy Energy Limited in the year ended December 31, 2013. 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. As detailed in note 13, Allt Dearg Wind Farmers LLP has provided a non-interest bearing loan to Wet & Windy Energy Limited, which has an outstanding balance at the year end.

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**

37.

22. Related parties
(continued)

The parent company has provided a loan to Achadonn Properties Limited, a subsidiary company of its joint venture, Achadonn Limited. This 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, 2013 and December 31, 2012 are shown below:-

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|---|----------------------|----------------------|
| Provision of electrical contracting services to Ormsary Farmers | 30 | 26 |
| Provision of electrical contracting services to Inver Farmers | 5 | 4 |
| Provision of electrical contracting services to Inver Hydro LLP | 7 | 25 |
| Provision of electrical contracting services to Allt Dearg Wind Farmers LLP | 1 | 15 |
| Provision of management services to Allt Dearg Wind Farmers LLP | 82 | 80 |
| Provision of management services to Inver Hydro LLP | 37 | 27 |
| Provision of management services to Ormsary Farmers | 66 | 99 |
| Supply of commercial forestry timber by Ormsary Farmers | - | 909 |

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

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|--|----------------------|----------------------|
| Loan balance due by Achadonn Properties Limited | 2,729 | 2,653 |
| Capital and loan contribution in Inver Hydro LLP | 1,365 | 1,570 |
| Capital and loan contribution in Allt Dearg Wind Farmers LLP | 1,178 | 1,208 |
| Loan balance due to Allt Dearg Wind Farmers LLP | 56 | - |
| Due by Ormsary Farmers | 7 | 2 |
| Due by Inver Farmers | 1 | - |
| Due by Inver Hydro LLP | 11 | 33 |
| Due by Allt Dearg Wind Farmers LLP | - | 7 |
| Due to Ormsary Farmers | 90 | 210 |

LITHGOWS LIMITED

38.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013**23. Capital commitments**

| | <u>Company</u> | | <u>Group</u> | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| | £'000 | £'000 | £'000 | £'000 |
| Authorised and contracted for, but not provided in these financial statements | - | - | 30 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Authorised not contracted for, and not provided in these financial statements | - | - | - | 525 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

24. Contingent liabilities

There were no contingent liabilities at either December 31, 2013 or December 31, 2012.

25. 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 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 detailed on page 39. 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.

LITHGOWS LIMITED**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2013****25. Pension commitments**
*(continued)***Change in benefit obligations**

| | <u>2013</u> £'000 | <u>2012</u> £'000 |
|---|----------------------|----------------------|
| As at January 1 | 34,434 | 33,668 |
| Current service cost | 79 | 78 |
| Interest cost | 1,530 | 1,549 |
| Scheme participants' contributions | 81 | 90 |
| Actuarial losses | 59 | 662 |
| Benefits paid | (1,033) | (1,613) |
| Liabilities extinguished on settlements | (984) | - |
| | <hr/> | <hr/> |
| As at December 31 | 34,166 | 34,434 |
| | <hr/> | <hr/> |

Change in scheme assets

| | | |
|--|----------|----------|
| Fair value of scheme assets at beginning of year | 19,866 | 19,264 |
| Expected return on scheme assets | 1,165 | 1,015 |
| Actuarial gains | 979 | 668 |
| Employer contribution | 372 | 442 |
| Member contributions | 81 | 90 |
| Benefits paid | (1,033) | (1,613) |
| Assets distributed on settlements | (560) | - |
| | <hr/> | <hr/> |
| Fair value of scheme assets at end of year | 20,870 | 19,866 |
| | <hr/> | <hr/> |
| Net fund deficit | (13,296) | (14,568) |
| | <hr/> | <hr/> |