

## **LITHGOWS LIMITED**

### **CHAIRMAN'S STATEMENT**

1999 saw a deepening of the difficult trading conditions shared by much of the United Kingdom's manufacturing and primary production industry and I must report a group loss for the year of £ 2,244,000.

The continued relative strength of Sterling against the Euro and high interest rates aimed at restricting demand within the service economies of the South East, have made exports extremely tough whilst increasing foreign and domestic competition within the home market has kept margins under pressure across all divisions.

The continued Policy of the Scottish Executive with regards to the control of the salmon disease, Infectious Salmon Anaemia, has cast a destructive blight across the whole industry sector.

With substantial interests in salmon farming and the associated service industries, this blight has frustrated business within a number of our operating companies.

Despite the establishment of the European Convention of Human Rights into Scottish domestic law, the Minister and his Executive have failed to acknowledge the principles of property right as applied to a fish farmer's stock.

Some modification within the regulations are now effective, and have gone some way to ease the blight.

In this very difficult market the team at Landcatch has done extremely well to increase sales volume, a testament to the quality and the demand for Landcatch products.

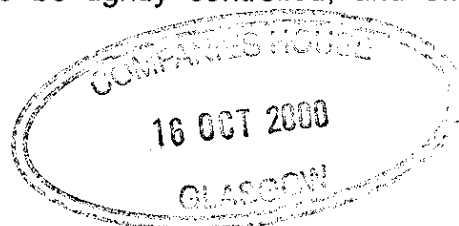
The gradual recovery in oil prices has not yet been matched by a return of confidence in the oil sector, which remains depressed both on and off shore. This, together with cheap European competition, has made trading very tough within our Engineering division. Costs have continued to be tightly controlled, and offset against overseas procurement.

### **Operating Activities**

#### **Aquaculture**

Landcatch's on-growing customers have been under considerable pressures, largely as a result of Government's unsound disease policy.

Despite the very tough market, Landcatch has managed to increase sales volume and further strengthen their position in the smolt and egg market. The product quality and benefits of the long term selective breeding program are now obvious within the market and form the foundation of further growth within the global aquaculture industry, based on the very substantial long term research and development program at the core of Landcatch strategy.




## **LITHGOWS LIMITED**

### **CHAIRMAN'S STATEMENT**

*(continued)*

Investment has continued at The Marine Resource Centre with the installation of an integrated hydro electric generation plant and, with some easing of ISA related restrictions, other operations are set to expand over the next year.

McKinlay & Blair have had a tough year in a depressed local market.

#### **Marine**

The installation of a new slipway at Buckie Shipyard caused considerable disruption to the yard's boat repair activity. With this larger slip now in operation and a clear focus provided by the new management team, new business has been brought to the yard. A commitment to a growing customer base has been matched by the ability to source competitive products from overseas, whilst enhancing the specialist skills of the yard. The yard has secured orders for three new fishing boats to be delivered during the course of next year.

Malakoff & Wm. Moore and J. Fleming Engineering (Stornoway) have both had a difficult year. Activity levels in the North Sea have been depressed, reducing the passing trade within Shetland. A refocused management team within Malakoff & Wm. Moore will concentrate on growth market opportunities.

J. Fleming Engineering's ferry service work was disrupted by the closure of the slip for refurbishment over the busy winter months. The local fishing fleet activity was restricted by an extended shellfish ban. With the slip reopened and the new management building on a skilled workforce, the yard is well placed to grow market share with both traditional and new business opportunities.

#### **Engineering**

Prosper Engineering has continued to suffer from the severe downturn in the oil related engineering market. Margins have been heavily pressurised by cheap Euro zone imports. Whilst maintaining their existing UK customer base, the company has established a presence within the United States and formed closer relationships with overseas suppliers to strengthen the position of the company within a specialist global market.

#### **Lithgows Pty**

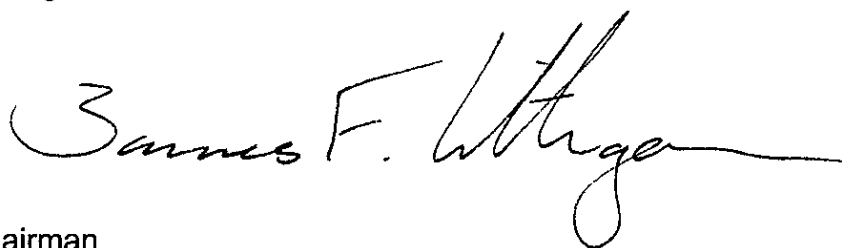
The continued weakness of the Asian economies allowed only a modest recovery in local beef price. With worldwide demand now increasing beyond production, beef prices are showing a stronger recovery. The farm team has focussed on increasing beef productivity; the initial trials have been extended with very positive results.

**LITHGOWS LIMITED****CHAIRMAN'S STATEMENT***(continued)***Property**

The property assets are actively managed to maximise shareholder value over the long term.

**Outlook**

As stated in the Chairman's 1998 report, conditions continue to be tough, exacerbated by the ill-judged political policies of Central Government. The move within the group towards knowledge, rather than manufacturing capacity based business, is the key to taking advantage of the opportunities of the global market. Already this strategy is showing benefits across all three divisions, with the potential for substantial growth and profit built upon the skill and knowledge of our management and workforce.

A handwritten signature in black ink, reading "James F. Lithgow". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chairman

May 15, 2000

**LITHGOWS LIMITED****Directors**

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

Sir William Lithgow, Bt \*\* (*Vice Chairman*)

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

Mr. F.G. Hogg\*\*

The Rt. Hon. Lord Lang of Monkton<sup>+</sup>

Lady Lithgow<sup>+</sup>

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

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

\* Denotes a member of the Audit Committee

<sup>+</sup> Denotes non-executive

**Registered Office**

3 Ardgowan Square  
Greenock

## LITHGOWS LIMITED

### DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 1999.

#### Results and dividends

The group trading loss for the year after taxation amounted to £2,243,040.

The directors recommend dividends absorbing £16,320, leaving £2,259,360 to be deducted from reserves.

#### Review of the business

The group's principal operating subsidiaries and their activities during the year are shown on page 24. Comments on the results for the year and on future developments are contained in the Chairman's statement on pages 1 – 3.

#### Directors and their interests

The directors who served during the year are stated on page 4.

The director who retires from the board by rotation at the next Annual General Meeting is Lady Lithgow who, being eligible, offers herself for re-election.

The following directors had the undernoted interests in the ordinary and preference share capital of Lithgows Limited at December 31, 1999 and at December 31, 1998.

|                     | Ordinary shares     |       |                                       |      | 7.5% Preference shares |         |                                       |         |
|---------------------|---------------------|-------|---------------------------------------|------|------------------------|---------|---------------------------------------|---------|
|                     | Beneficial interest |       | Interest as Trustees (non-beneficial) |      | Beneficial interest    |         | Interest as Trustees (non-beneficial) |         |
|                     | 1999                | 1998  | 1999                                  | 1998 | 1999                   | 1998    | 1999                                  | 1998    |
| Sir William Lithgow | 1,753               | 1,753 | 500                                   | 500  | -                      | -       | -                                     | -       |
| Lady Lithgow        | 728                 | 728   | 500                                   | 500  | -                      | -       | 108,000                               | 108,000 |
| J.F. Lithgow        | 2,469               | 2,469 | -                                     | -    | 506,000                | 506,000 | -                                     | -       |

No other director at December 31, 1999 had any interest in the share capital of the company or in any subsidiary during the year.

## LITHGOWS LIMITED

### DIRECTORS' REPORT

(continued)

#### Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Corporate governance

Whilst it is under no obligation to meet the requirements of the London Stock Exchange, the Lithgows' group places a high degree of importance on corporate governance and has for some years honoured most of the recommendations of the Combined Code. The Board includes 5 non-executive directors and meets on a regular basis to discuss the strategic development of the group, and to monitor the day to day implementation of the group strategy throughout the various subsidiary companies. The remuneration of the executive directors is fixed by a committee of the Chairman, Vice Chairman and a non-executive director. The Board have an Audit Committee who receive reports from both the external auditors and the internal audit function to satisfy themselves as to the effectiveness of the group's financial operating procedures and internal financial controls. The internal audit function is unusual in a group of this size but is found to be extremely useful in meeting the responsibilities of the directors.

#### Disabled employees

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

#### Employees

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

**LITHGOWS LIMITED****DIRECTORS' REPORT***(continued)***Year 2000 compliance**

The group reviewed its computer systems for the impact of the year 2000 date change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate properly over the year 2000 date change and through any roll-over procedures that occurred at a later date.

The issue is complex, and no business can guarantee that there will be no year 2000 problems. As all businesses are dependent on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the group's business to a greater or lesser extent.

**Charitable donations**

During the year the group made charitable contributions totalling £13,968.

**Political donations**

There were no donations to political parties made during the year.

**Auditors**

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

ON BEHALF OF THE BOARD



Secretary

May 15, 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF  
LITHGOWS LIMITED

We have audited the financial statements on page 9 to 35 which have been prepared under the accounting policies set out on pages 15 to 17.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at December 31, 1999 and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON  
Registered Auditors  
Chartered Accountants  
Glasgow

May 15, 2000



**LITHGOWS LIMITED**

9.

**GROUP PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

|   | <u>Notes</u> | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|---|--------------|----------------------|----------------------|
| Turnover: group and share of joint venture's turnover |              | 18,473               | 21,251               |
| Less: share of joint venture's turnover               |              | (500)                | (218)                |
|   |              | <hr/>                | <hr/>                |
| GROUP TURNOVER  | 1            | 17,973               | 21,033               |
| Cost of sales   | 2            | (15,261)             | (16,453)             |
|   |              | <hr/>                | <hr/>                |
| Gross profit  |              | 2,712                | 4,580                |
| Other operating income and charges                    | 2            | (4,978)              | (5,032)              |
|   |              | <hr/>                | <hr/>                |
| OPERATING LOSS  | 3            | (2,266)              | (452)                |
| Share of operating profit of joint venture            |              | 203                  | 27                   |
| Exceptional item                                      |              |                      |                      |
| Profit on disposal of fixed assets                    |              | 44                   | 506                  |
|   |              | <hr/>                | <hr/>                |
| Net interest  | 5            | (2,019)<br>(319)     | 81<br>(338)          |
|   |              | <hr/>                | <hr/>                |
| LOSS ON ORDINARY ACTIVITIES<br>BEFORE TAXATION        |              | (2,338)              | (257)                |
| Taxation  | 6            | 11                   | 128                  |
|   |              | <hr/>                | <hr/>                |
| Loss on ordinary activities after taxation            |              | (2,327)              | (129)                |
| Minority interests                                    | 17           | 83                   | 78                   |
|   |              | <hr/>                | <hr/>                |
| Loss for the financial year                           |              | (2,244)              | (51)                 |
| Dividends – including non equity interests            | 7            | (16)                 | (149)                |
|   |              | <hr/>                | <hr/>                |
| Loss for year   |              | (2,260)              | (200)                |
|   |              | <hr/> <hr/>          | <hr/> <hr/>          |

*The notes on pages 15 to 35 form part of these financial statements*

**LITHGOWS LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 1999****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

|  | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--|----------------------|----------------------|
| Loss for the year                              | (2,260)              | (200)                |
| Unrealised surplus on revaluation of assets    | 1,843                | -                    |
| Exchange differences                           | (17)                 | -                    |
|  | <hr/>                | <hr/>                |
| Total recognised gains and losses for the year | (434)                | (200)                |
|  | <hr/>                | <hr/>                |

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

|  | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--|----------------------|----------------------|
| Reported loss on ordinary activities before taxation   | (2,338)              | (257)                |
| Difference between historical cost depreciation charge<br>and the actual depreciation charge for the year<br>calculated on the revalued amount | 30                   | 29                   |
|  | <hr/>                | <hr/>                |
| Historical cost loss on ordinary activities before taxation  | (2,308)              | (228)                |
|  | <hr/>                | <hr/>                |
| Historical cost loss retained  | (2,230)              | (171)                |
|  | <hr/>                | <hr/>                |

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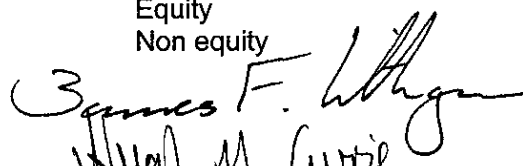
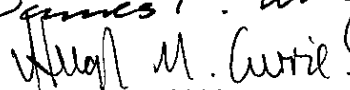
**LITHGOWS LIMITED****STATEMENT OF GROUP RETAINED RESERVES AND  
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|  | <u>Profit<br/>and loss<br/>account</u><br>£'000 | <u>Reval-<br/>uation<br/>surplus</u><br>£'000 | <u>Other<br/>reserves</u><br>£'000 | <u>Capital<br/>redemption<br/>reserves</u><br>£'000 | <u>Total<br/>reserves</u><br>£'000 | <u>Called-up<br/>share<br/>capital</u><br>£'000 | <u>Total<br/>share-<br/>holders<br/>funds</u><br>£'000 |
|--|---|---|------------------------------------|---|------------------------------------|---|--|
| At January 1, 1998                             | 7,394   | 2,669   | 130                                | 325   | 10,518                             | 1,354   | 11,872   |
| Movements in 1998:                             |   |   |                                    |   |                                    |   |  |
| Amortisation of<br>revaluation surplus         | 27  | (27)  | -                                  | -   | -                                  | -   | -  |
| Loss for the year                              | (200)   | -   | -                                  | -   | (200)                              | -   | (200)  |
| At December 31, 1998                           | 7,221   | 2,642   | 130                                | 325   | 10,318                             | 1,354   | 11,672   |
| Movements in 1999:                             |   |   |                                    |   |                                    |   |  |
| Amortisation of<br>revaluation surplus         | 27  | (27)  | -                                  | -   | -                                  | -   | -  |
| Unrealised surplus on<br>revaluation of assets | -   | 1,843   | -                                  | -   | 1,843                              | -   | 1,843  |
| Exchange differences<br>- joint venture        | (17)  | -   | -                                  | -   | (17)                               | -   | (17)   |
| Loss for the year                              | (2,260)   | -   | -                                  | -   | (2,260)                            | -   | (2,260)  |
| At December 31, 1999                           | 4,971   | 4,458   | 130                                | 325   | 9,884                              | 1,354   | 11,238   |

*The notes on pages 15 to 35 form part of these financial statements*

**LITHGOWS LIMITED**  
**GROUP BALANCE SHEET AT DECEMBER 31, 1999**

|   | Notes | £'000   | 1999<br>£'000 | 1998<br>£'000 |
|---|-------|---------|---------------|---------------|
| Fixed assets:   |       |         |               |               |
| Tangible assets   | 8     | 13,790  |               | 12,567        |
| Investments:  | 9     |         |               |               |
| Joint venture   |       | 294     |               | 139           |
| Unlisted investments                                    |       | 58      |               | 58            |
|   |       |         | 14,142        | 12,764        |
| Current assets:   |       |         |               |               |
| Stocks and work-in-progress                             | 10    | 4,379   |               | 5,073         |
| Debtors   | 11    | 3,740   |               | 3,971         |
| Cash at bank and in hand                                |       | 419     |               | 1,046         |
|   |       | 8,538   |               | 10,090        |
| Creditors: amounts falling due within one year          | 12    | (8,538) |               | (7,821)       |
| Net current assets                                      |       |         | -             | 2,269         |
| Total assets less current liabilities                   |       |         | 14,142        | 15,033        |
| Creditors: amounts falling due after more than one year | 13    |         | (1,532)       | (1,986)       |
| Provision for liabilities and charges                   | 16    |         | (67)          | (113)         |
| Minority interests (including non equity interests)     | 17    |         | (489)         | (572)         |
| Accruals and deferred income:                           |       |         |               |               |
| Deferred grants   |       |         | (816)         | (690)         |
|   |       |         | 11,238        | 11,672        |
| Capital and reserves:                                   |       |         |               |               |
| Called up share capital                                 | 18    |         | 1,354         | 1,354         |
| Reserves  |       |         | 9,884         | 10,318        |
|   |       |         | 11,238        | 11,672        |
| Analysis of shareholders' funds:                        |       |         |               |               |
| Equity  |       |         | 10,588        | 11,022        |
| Non equity  |       |         | 650           | 650           |

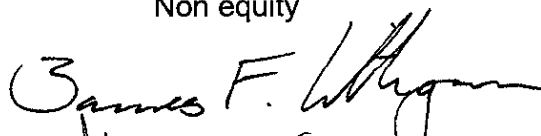
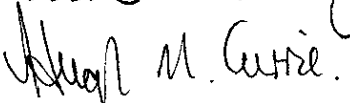
  
  
 May 15, 2000

) Directors

*The notes on pages 15 to 35 form part of these financial statements*

**LITHGOWS LIMITED**  
**COMPANY BALANCE SHEET AT DECEMBER 31, 1999**

|   | Notes | £'000   | 1999<br>£'000 | 1998<br>£'000 |
|---|-------|---------|---------------|---------------|
| Fixed assets:   |       |         |               |               |
| Tangible assets   | 8     | 1,166   |               | 205           |
| Investments:  | 9     |         |               |               |
| Subsidiary undertakings                                 |       | 12,024  |               | 11,648        |
| Unlisted investments                                    |       | 50      |               | 50            |
|   |       |         | 13,240        | 11,903        |
| Current assets:   |       |         |               |               |
| Debtors   | 11    | 320     |               | 214           |
| Cash at bank and in hand                                |       | 153     |               | 277           |
|   |       | 473     |               | 491           |
| Creditors: amounts falling due within one year          | 12    | (6,515) |               | (6,506)       |
| Net current liabilities                                 |       |         | (6,042)       | (6,015)       |
| Total assets less current liabilities                   |       |         | 7,198         | 5,888         |
| Creditors: amounts falling due after more than one year | 13    |         | (18)          | (32)          |
|   |       |         | 7,180         | 5,856         |
| Capital and reserves:                                   |       |         |               |               |
| Called up share capital                                 | 18    |         | 1,354         | 1,354         |
| Reserves  |       |         | 5,826         | 4,502         |
|   |       |         | 7,180         | 5,856         |
| Analysis of shareholders' funds:                        |       |         |               |               |
| Equity  |       |         | 6,530         | 5,206         |
| Non equity  |       |         | 650           | 650           |



 ) Directors

May 15, 2000

*The notes of pages 15 to 35 form part of these financial statements*

**LITHGOWS LIMITED****GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1999**

|   | <u>Notes</u> | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|---|--------------|----------------------|----------------------|
| Net cash (outflow)/inflow from operating activities                     | 19           | (168)                | 1,751                |
| Returns on investments and servicing of finance                         |              |                      |                      |
| Interest received   |              | 174                  | 252                  |
| Interest paid   |              | (302)                | (432)                |
| Finance lease interest paid   |              | (45)                 | (45)                 |
| Non equity dividends paid   |              | (16)                 | (49)                 |
| Loan interest paid  |              | (146)                | (113)                |
| Net cash outflow from returns on investment<br>and servicing of finance |              | (335)                | (387)                |
| Taxation  |              | (8)                  | 62                   |
| Capital expenditure   |              |                      |                      |
| Purchase of fixed assets  |              | (874)                | (1,017)              |
| Sale of fixed assets  |              | 76                   | 544                  |
| Receipt of grant  |              | 257                  | 212                  |
| Net cash outflow from capital expenditure                               |              | (541)                | (261)                |
| Acquisitions and disposals  |              |                      |                      |
| Investment in joint venture   |              | -                    | (112)                |
| Net cash outflow from acquisitions<br>and disposals                     |              | -                    | (112)                |
| Equity dividends paid   |              | -                    | (186)                |
| Financing   |              |                      |                      |
| Repayment of borrowings   |              | (377)                | (427)                |
| Capital element of finance lease rentals                                |              | (236)                | (220)                |
| Net cash outflow from financing   | 20           | (613)                | (647)                |
| (Decrease)/increase in cash   | 21           | (1,665)              | 220                  |

*The notes on pages 15 to 35 form part of these financial statements*

## **LITHGOWS LIMITED**

### **ACCOUNTING POLICIES**

#### **Basis of preparation**

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

The principal accounting policies of the group have remained unchanged from the previous year.

#### **Basis of consolidation**

The group financial statements incorporate the results for the year, the state of affairs and the cash flow of the company and all its subsidiary undertakings. No profit and loss account is presented for the parent company, Lithgows Limited, as provided by S.230 of the Companies Act 1985.

Entities in which the group holds an interest on a long term basis and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

The group's share of the results of joint ventures is shown in the profit and loss account.

#### **Goodwill**

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable assets.

Goodwill is capitalised and is amortised on a straight line basis over its useful economic life. Goodwill first accounted for in accounting periods ending before December 23, 1998, the implementation date of FRS10, was eliminated from the financial statements by immediate write off against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

#### **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:-

## **LITHGOWS LIMITED**

### **ACCOUNTING POLICIES**

*(continued)*

#### **Depreciation**

*(continued)*

|   |  |
|---|--|
| Freehold property                       | - 2%                                   |
| Leasehold property                      | - shorter of 2½% or over life of lease |
| Freehold slipways and jetties           | - 2% - 2½%                             |
| Plant, machinery, fixtures and fittings | - 10% - 20%                            |
| Motor vehicles                          | - 20% - 25%                            |
| Office equipment                        | - 15%                                  |
| Computer hardware                       | - 25%                                  |
| Computer software                       | - 50%                                  |

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

#### **Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost is defined as actual cost on a first-in, first-out basis and includes, where appropriate, a proportion of production overheads. Net realisable value is defined as the estimated selling price less future costs to completion and expenses of marketing and distribution.

Payments received and receivable to account of work-in-progress are deducted from the cost or net realisable value.

Payments to account in excess of costs to date of work-in-progress are included in creditors.

#### **Long-term contracts**

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

#### **Deferred taxation**

Deferred taxation is provided on the liability method on all material timing differences, except for those which are not expected to reverse in the future. Advance corporation tax on dividends, not recoverable against current taxation, is carried forward to the extent that it is anticipated to be recoverable against future mainstream corporation tax liabilities.



**LITHGOWS LIMITED****ACCOUNTING POLICIES***(continued)***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.

**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 venture 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.

**Pensions**

The company participates in The Lithgows Limited Pension Scheme which requires contributions to be made to a separately administered fund. Contributions to the fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

**Research and development**

Expenditure is charged to profits in the period in which it is incurred.

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****1. Group turnover**

Turnover represents the invoiced 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>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--|----------------------|----------------------|
| Marine   | 6,668                | 7,083                |
| Engineering                                      | 5,783                | 7,454                |
| Aquaculture                                      | 5,365                | 6,352                |
| Others   | 157                  | 144                  |
|  | <hr/>                | <hr/>                |
|  | 17,973               | 21,033               |
| Share of joint venture's turnover<br>Aquaculture | 500                  | 218                  |
|  | <hr/>                | <hr/>                |
|  | 18,473               | 21,251               |
|  | <hr/> <hr/>          | <hr/> <hr/>          |

**Analysis of turnover by geographical area:**

|  | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--|----------------------|----------------------|
| U.K.   | 16,496               | 18,753               |
| E.U.   | 384                  | 526                  |
| Other Europe                                       | 28                   | 182                  |
| U.S.A. and Canada                                  | 221                  | 221                  |
| Asia and Australasia                               | 293                  | 481                  |
| South America                                      | 551                  | 870                  |
|  | <hr/>                | <hr/>                |
|  | 17,973               | 21,033               |
| Share of joint venture's turnover<br>South America | 500                  | 218                  |
|  | <hr/>                | <hr/>                |
|  | 18,473               | 21,251               |
|  | <hr/> <hr/>          | <hr/> <hr/>          |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****2. Cost of sales/other operating income and charges**

|                                    | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|------------------------------------|----------------------|----------------------|
| Cost of sales                      | 14,957               | 16,029               |
| Impairment to fixed assets         | 304                  | 424                  |
|                                    | <hr/>                | <hr/>                |
|                                    | 15,261               | 16,453               |
|                                    | <hr/>                | <hr/>                |
| Other operating income and charges |                      |                      |
| Distribution costs                 | 448                  | 464                  |
| Administrative costs               | 4,777                | 4,788                |
| Other operating income             | (247)                | (220)                |
|                                    | <hr/>                | <hr/>                |
|                                    | 4,978                | 5,032                |
|                                    | <hr/>                | <hr/>                |

**3. Operating loss**

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

|  | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--|----------------------|----------------------|
| Items charged:   |                      |                      |
| Auditors' remuneration – audit services                                      | 73                   | 69                   |
| Auditors' remuneration – non-audit services                                  | 26                   | 23                   |
| Depreciation of owned assets   | 984                  | 1,065                |
| Depreciation of assets held under finance leases and hire purchase contracts | 376                  | 367                  |
| Hire of plant  | 47                   | 58                   |
| Operating lease rentals – plant and machinery                                | 48                   | 42                   |
| Operating lease rentals – land and buildings                                 | 324                  | 318                  |
|  | <hr/>                | <hr/>                |
| Items credited:  |                      |                      |
| Net rental income  | 48                   | 42                   |
| Release from deferred grants   | 131                  | 99                   |
|  | <hr/>                | <hr/>                |

**(b) Directors' emoluments**

|                      | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|----------------------|----------------------|----------------------|
| Aggregate emoluments | 411                  | 397                  |
|                      | <hr/>                | <hr/>                |

During the year, 5 directors (1998 – 5 directors) participated in defined benefit pension schemes.

The emoluments of the highest paid director were £112,190 (1998 - £110,116). The highest paid director's accrued pension at the year-end was £54,376 (1998 - £51,400).

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**

20.

| 4. <u>Staff costs</u> | <u>1999</u> | <u>1998</u> |
|-----------------------|-------------|-------------|
|                       | £'000       | £'000       |
| Wages and salaries    | 5,718       | 5,888       |
| Social security costs | 482         | 528         |
| Other pensions costs  | 324         | 302         |
|                       | <hr/>       | <hr/>       |
|                       | 6,524       | 6,718       |
|                       | <hr/>       | <hr/>       |

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

|             | <u>1999</u> | <u>1998</u> |
|-------------|-------------|-------------|
|             | No.         | No.         |
| Marine      | 159         | 161         |
| Engineering | 100         | 121         |
| Aquaculture | 30          | 35          |
| Others      | 19          | 19          |
|             | <hr/>       | <hr/>       |
|             | 308         | 336         |
|             | <hr/>       | <hr/>       |

| 5. <u>Net interest</u>   | <u>1999</u> | <u>1998</u> |
|--|-------------|-------------|
|  | £'000       | £'000       |
| Bank loans and overdrafts and other loans wholly repayable within five years | (302)       | (432)       |
| Finance charges payable under finance leases and hire purchase contracts     | (45)        | (45)        |
| Loans not wholly repayable within five years                                 | (146)       | (113)       |
|  | <hr/>       | <hr/>       |
|  | (493)       | (590)       |
| Bank deposit interest received   | 87          | 143         |
| Other loans interest received  | 13          | 24          |
| Other interest receivable  | 74          | 85          |
|  | <hr/>       | <hr/>       |
|  | (319)       | (338)       |
|  | <hr/>       | <hr/>       |

| 6. <u>Taxation on loss on ordinary activities</u> | <u>1999</u> | <u>1998</u> |
|---|-------------|-------------|
|   | £'000       | £'000       |
| The taxation credit represents:                   |             |             |
| Corporation tax payable                           | (4)         | (7)         |
| Transfer from deferred taxation                   | 46          | 128         |
| Share of tax on joint venture's profits           | (31)        | -           |
|   | <hr/>       | <hr/>       |
|   | 11          | 121         |
| Corporation tax – over provision in prior years   | -           | 7           |
|   | <hr/>       | <hr/>       |
|   | 11          | 128         |
|   | <hr/>       | <hr/>       |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**

| 7. <u>Dividends</u>   | 1999<br>£'000 | 1998<br>£'000 |
|---|---------------|---------------|
| Equity interests:   |               |               |
| Ordinary dividend – interim paid £nil per share<br>(1998 - £13.125 per share)                     | -             | 84            |
| Preferred ordinary dividend – interim paid £13.125 per share<br>(1998 - £13.125)                  | 8             | 8             |
| Preferred ordinary dividend – 2nd interim proposed £11.83<br>per share (1998 - £12.975 per share) | 8             | 8             |
|   | <hr/>         | <hr/>         |
|   | 16            | 100           |
| Non equity interests:   |               |               |
| Preference dividend – paid  | -             | 49            |
|   | <hr/>         | <hr/>         |
|   | 16            | 149           |
|   | <hr/>         | <hr/>         |

8. Tangible fixed assets

| <u>Company</u>         | <u>Freehold<br/>property</u><br>£'000 | <u>Machinery,<br/>plant,<br/>vehicles and<br/>fittings</u><br>£'000 | <u>Total</u><br>£'000 |
|------------------------|---------------------------------------|---|-----------------------|
| Cost:                  |                                       |   |                       |
| At January 1, 1999     | 377                                   | 363   | 740                   |
| Additions              | -                                     | 31  | 31                    |
| Disposals              | -                                     | (29)  | (29)                  |
| Surplus on revaluation | 1,000                                 | -   | 1,000                 |
|                        | <hr/>                                 | <hr/>   | <hr/>                 |
| At December 31, 1999   | 1,377                                 | 365   | 1,742                 |
|                        | <hr/>                                 | <hr/>   | <hr/>                 |
| Depreciation           |                                       |   |                       |
| At January 1, 1999     | 298                                   | 237   | 535                   |
| Charge for the year    | 5                                     | 55  | 60                    |
| Disposals              | -                                     | (19)  | (19)                  |
|                        | <hr/>                                 | <hr/>   | <hr/>                 |
| At December 31, 1999   | 303                                   | 273   | 576                   |
|                        | <hr/>                                 | <hr/>   | <hr/>                 |
| Net book value:        |                                       |   |                       |
| At January 1, 1999     | 79                                    | 126   | 205                   |
|                        | <hr/>                                 | <hr/>   | <hr/>                 |
| At December 31, 1999   | 1,074                                 | 92  | 1,166                 |
|                        | <hr/>                                 | <hr/>   | <hr/>                 |

A landfill site was revalued at December 31, 1999 by the directors taking into account the market values at that date.

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****8. Tangible fixed assets**  
*(continued)*

| <u>Group</u>                | <u>Freehold<br/>property</u><br>£'000 | <u>Long<br/>leasehold<br/>property</u><br>£'000 | <u>Short<br/>leasehold<br/>property</u><br>£'000 | <u>Machinery<br/>plant<br/>vehicles<br/>and fittings</u><br>£'000 | <u>Freehold<br/>slipways<br/>and jetties</u><br>£'000 | <u>Total</u><br>£'000 |
|-----------------------------|---------------------------------------|---|--|---|---|-----------------------|
| Cost or valuation:          |                                       |   |  |   |   |                       |
| At January 1, 1999          | 7,737                                 | 195   | 241  | 16,011  | 261   | 24,445                |
| Additions                   | 5                                     | 166   | 5  | 900   | -   | 1,076                 |
| Disposals                   | -                                     | -   | -  | (607)   | -   | (607)                 |
| Surplus on revaluation      | 1,838                                 | -   | -  | -   | -   | 1,838                 |
| At December 31, 1999        | 9,580                                 | 361   | 246  | 16,304  | 261   | 26,752                |
| Depreciation:               |                                       |   |  |   |   |                       |
| At January 1, 1999          | 1,383                                 | 89  | 95   | 10,231  | 80  | 11,878                |
| Charge for the year         | 150                                   | 13  | 11   | 1,179   | 7   | 1,360                 |
| Impairment losses           | -                                     | -   | -  | 304   | -   | 304                   |
| Disposals                   | -                                     | -   | -  | (575)   | -   | (575)                 |
| Written back on revaluation | (5)                                   | -   | -  | -   | -   | (5)                   |
| At December 31, 1999        | 1,528                                 | 102   | 106  | 11,139  | 87  | 12,962                |
| Net book value:             |                                       |   |  |   |   |                       |
| At January 1, 1999          | 6,354                                 | 106   | 146  | 5,780   | 181   | 12,567                |
| At December 31, 1999        | 8,052                                 | 259   | 140  | 5,165   | 174   | 13,790                |

In calculating the impairment losses during the year, the group has used a discount rate of 9.3%.

Cost or valuation at December 31, 1999, comprises:

|                   |       |     |     |        |     |        |
|-------------------|-------|-----|-----|--------|-----|--------|
| Cost              | 4,248 | 361 | 246 | 16,304 | 96  | 21,255 |
| Valuation in 1982 | 82    | -   | -   | -      | -   | 82     |
| Valuation in 1983 | 279   | -   | -   | -      | -   | 279    |
| Valuation in 1984 | 308   | -   | -   | -      | -   | 308    |
| Valuation in 1985 | 305   | -   | -   | -      | 165 | 470    |
| Valuation in 1991 | 63    | -   | -   | -      | -   | 63     |
| Valuation in 1999 | 4,295 | -   | -   | -      | -   | 4,295  |
|                   | 9,580 | 361 | 246 | 16,304 | 261 | 26,752 |

The freehold land and buildings of Lithgows Pty Limited, a landfill site within Lithgows Limited and a reservoir within The Marine Resource Centre Limited were revalued at December 31, 1999 by the directors taking into account the market values at that date.

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****8. Tangible fixed assets**  
*(continued)*

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

|                             | <u>Freehold<br/>property</u><br>£'000 | <u>Freehold<br/>slipways<br/>and<br/>jetties</u><br>£'000 | <u>Total</u><br>£'000 |
|-----------------------------|---------------------------------------|---|-----------------------|
| Historical cost:            |                                       |   |                       |
| At January 1, 1999          | 709                                   | 102   | 811                   |
| Additions                   | 15                                    | -   | 15                    |
|                             | <hr/>                                 | <hr/>   | <hr/>                 |
| At December 31, 1999        | 724                                   | 102   | 826                   |
|                             | <hr/>                                 | <hr/>   | <hr/>                 |
| Depreciation based on cost: |                                       |   |                       |
| At January 1, 1999          | 167                                   | 50  | 217                   |
| Charge for the year         | 6                                     | 3   | 9                     |
|                             | <hr/>                                 | <hr/>   | <hr/>                 |
| At December 31, 1999        | 173                                   | 53  | 226                   |
|                             | <hr/>                                 | <hr/>   | <hr/>                 |
| Net historical cost value:  |                                       |   |                       |
| At January 1, 1999          | 542                                   | 52  | 594                   |
|                             | <hr/>                                 | <hr/>   | <hr/>                 |
| At December 31, 1999        | 551                                   | 49  | 600                   |
|                             | <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</u><br>£'000 | <u>Group</u><br>£'000 |
|----------------------|-------------------------|-----------------------|
| Net book value:      |                         |                       |
| At January 1, 1999   | 62                      | 774                   |
|                      | <hr/>                   | <hr/>                 |
| At December 31, 1999 | 67                      | 699                   |
|                      | <hr/>                   | <hr/>                 |

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****9. Investments**

| (a) Subsidiary undertakings:                     | <u>1999</u>  | <u>1998</u>  |
|--|--------------|--------------|
|  | <u>£'000</u> | <u>£'000</u> |
| <u>Company</u>                                   |              |              |
| Investment in subsidiary undertakings comprises: |              |              |
| Cost   | 8,661        | 9,364        |
| Amounts written off                              | (1,467)      | (1,394)      |
| Amounts due by subsidiaries, less provisions     | 7,120        | 5,968        |
| Amounts due to subsidiaries                      | (2,290)      | (2,290)      |
|  | <hr/>        | <hr/>        |
| Net book value                                   | 12,024       | 11,648       |
|  | <hr/>        | <hr/>        |

At December 31, 1999, the company had beneficial interests directly or indirectly (\*) in the ordinary share capital of the undernoted principal operating subsidiary undertakings. All are registered in Scotland unless otherwise stated and all are 100% owned with the exception of Malakoff & Wm. Moore Limited which is 55% owned, and Knapdale Shipping (Campbeltown) Limited which is 60% owned. Companies not audited by the parent company auditors are indicated by (†).

| <u>Nature of Business</u>  | <u>Company</u>  |
|----------------------------|---|
| <b>Marine:</b>             | Buckie Shipyard Limited<br>Campbeltown Shipyard Limited<br>J. Fleming Engineering (Stornoway) Limited†<br>Kingfisher Marine Services Limited<br>Malakoff & Wm. Moore Limited  |
| <b>Engineering:</b>        | Prosper Engineering Limited   |
| <b>Aquaculture:</b>        | Clachbreck Fish Farms*<br>Cruive Limited<br>Cruive III Limited*<br>Inver Lochs Limited*<br>Knapdale Shipping (Campbeltown) Limited†<br>Landcatch Limited<br>McKinlay & Blair Limited<br>Ormsary Fish Farms Limited*<br>The Marine Resource Centre Limited |
| <b>Primary Production:</b> | Lithgows Pty Limited (incorporated in Australia)  |
| <b>Building Products:</b>  | A. Kenneth & Sons Limited   |
| <b>Finance:</b>            | Inver Salmon Limited<br>Lithgow Factoring Limited   |



**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**9. Investments  
(continued)

## (b) Interest in joint venture

At December 31, 1999 the group had interests in the following joint venture:

| <u>Joint venture</u>                              | <u>Country of<br/>incorporation</u> | <u>Class of share<br/>capital held</u> | <u>Proportion held<br/>by group</u> | <u>Nature of<br/>business</u> |
|---|-------------------------------------|--|-------------------------------------|-------------------------------|
| Landcatch Chile<br>Limitada                       | Chile                               | Ordinary shares                        | 50%                                 | Fish<br>farming               |
|   |                                     |  | <u>Company</u><br>£'000             | <u>Group</u><br>£'000         |
| At January 1, 1999                                |                                     |  | -                                   | 139                           |
| Share of profit retained by joint venture         |                                     |  | -                                   | 172                           |
| Exchange difference                               |                                     |  | -                                   | (17)                          |
|   |                                     |  | <hr/>                               | <hr/>                         |
| At December 31, 1999                              |                                     |  | -                                   | 294                           |
|   |                                     |  | <hr/>                               | <hr/>                         |
| The group's share in its joint venture comprises: |                                     |  |                                     |                               |
| Fixed assets                                      |                                     |  | -                                   | 94                            |
| Current assets                                    |                                     |  | -                                   | 276                           |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Gross assets                                      |                                     |  | -                                   | 370                           |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Liabilities due within one year                   |                                     |  | -                                   | 75                            |
| Liabilities due after more than one year          |                                     |  | -                                   | 1                             |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Gross liabilities                                 |                                     |  | -                                   | 76                            |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Net assets  |                                     |  | -                                   | 294                           |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Turnover  |                                     |  | -                                   | 500                           |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Profit before tax                                 |                                     |  | -                                   | 203                           |
| Taxation  |                                     |  | -                                   | (31)                          |
|   |                                     |  | <hr/>                               | <hr/>                         |
| Profit after taxation                             |                                     |  | -                                   | 172                           |
|   |                                     |  | <hr/>                               | <hr/>                         |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****9. Investments**  
*(continued)***(c) Associated undertakings**

The investment in associated undertakings, all of which are unlisted, comprises:

|  | <u>Company</u><br>£'000 | <u>Group</u><br>£'000 |
|--|-------------------------|-----------------------|
| Cost:                                    |                         |                       |
| At January 1, 1999 and December 31, 1999 | -                       | 75                    |
| Amounts written off:                     |                         |                       |
| At January 1, 1999 and December 31, 1999 | -                       | 75                    |
| Net book value:                          |                         |                       |
| At January 1, 1999 and December 31, 1999 | -                       | -                     |

**(d) Unlisted investments**

Unlisted investments comprise:

|  | <u>Company</u><br>£'000 | <u>Group</u><br>£'000 |
|--|-------------------------|-----------------------|
| Cost:                                    |                         |                       |
| At January 1, 1999 and December 31, 1999 | 94                      | 199                   |
| Amounts written off:                     |                         |                       |
| At January 1, 1999 and December 31, 1999 | 44                      | 141                   |
| Net book value:                          |                         |                       |
| At January 1, 1999 and December 31, 1999 | 50                      | 58                    |

**10. Stocks and work-in-progress**

|   | <u>1999</u><br>£'000 | <u>Group</u><br><u>1998</u><br>£'000 |
|---|----------------------|--------------------------------------|
| Raw material and consumables                  | 1,025                | 1,360                                |
| Work-in-progress                              | 658                  | 938                                  |
| Work-in-progress payments received on account | (61)                 | (120)                                |
| Finished goods and goods for resale           | 408                  | 490                                  |
| Livestock                                     | 2,349                | 2,405                                |
|   | <u>4,379</u>         | <u>5,073</u>                         |

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****11. Debtors**

|                                | <u>Company</u> |             | <u>Group</u> |              |
|--------------------------------|----------------|-------------|--------------|--------------|
|                                | <u>1999</u>    | <u>1998</u> | <u>1999</u>  | <u>1998</u>  |
|                                | £'000          | £'000       | £'000        | £'000        |
| Trade debtors                  | 62             | 55          | 2,909        | 2,753        |
| Other debtors                  | 100            | 31          | 370          | 786          |
| Amounts due from joint venture | -              | -           | -            | 61           |
| Prepayments and accrued income | 137            | 126         | 440          | 351          |
| Corporation tax                | 21             | 2           | 21           | 20           |
|                                | <u>320</u>     | <u>214</u>  | <u>3,740</u> | <u>3,971</u> |

**12. Creditors: amounts falling due within one year**

|  | <u>Company</u> |              | <u>Group</u> |              |
|--|----------------|--------------|--------------|--------------|
|  | <u>1999</u>    | <u>1998</u>  | <u>1999</u>  | <u>1998</u>  |
|  | £'000          | £'000        | £'000        | £'000        |
| Bank overdrafts  | 5,739          | 5,550        | 3,488        | 2,450        |
| Current instalments due on loans (note 14)                             | -              | -            | 405          | 423          |
| Obligations under finance lease and hire purchase contracts (notes 15) | 34             | 23           | 223          | 194          |
| Trade creditors  | 100            | 26           | 1,993        | 2,301        |
| Corporation tax  | -              | -            | 4            | 7            |
| Other taxes and social security costs                                  | 22             | 22           | 241          | 243          |
| Other creditors  | 335            | 603          | 852          | 899          |
| Proposed dividend  | 8              | 8            | 8            | 8            |
| Accruals   | 277            | 274          | 1,187        | 1,296        |
| Payments to account  | -              | -            | 137          | -            |
|  | <u>6,515</u>   | <u>6,506</u> | <u>8,538</u> | <u>7,821</u> |

**13. Creditors: amounts falling due after more than one year**

|  | <u>Company</u> |             | <u>Group</u> |              |
|--|----------------|-------------|--------------|--------------|
|  | <u>1999</u>    | <u>1998</u> | <u>1999</u>  | <u>1998</u>  |
|  | £'000          | £'000       | £'000        | £'000        |
| Loans (note 14)  | -              | -           | 1,304        | 1,663        |
| Obligations under finance leases and hire purchase contracts (note 15) | 18             | 32          | 228          | 291          |
| Other creditors  | -              | -           | -            | 32           |
|  | <u>18</u>      | <u>32</u>   | <u>1,532</u> | <u>1,986</u> |

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**14. Loans

|   | <u>Group</u> |              |
|---|--------------|--------------|
|   | <u>1999</u>  | <u>1998</u>  |
|   | <u>£'000</u> | <u>£'000</u> |
| Loans are repayable as follows:   |              |              |
| Not wholly repayable within five years  | 996          | 1,298        |
| Wholly repayable within five years  | 713          | 788          |
|   | <hr/>        | <hr/>        |
|   | 1,709        | 2,086        |
|   | <hr/>        | <hr/>        |
| Instalments due:  |              |              |
| After five years  | 380          | 490          |
| Between two and five years  | 601          | 816          |
| Between one and two years   | 323          | 357          |
|   | <hr/>        | <hr/>        |
|   | 1,304        | 1,663        |
| Within one year (note 12)   | 405          | 423          |
|   | <hr/>        | <hr/>        |
|   | 1,709        | 2,086        |
|   | <hr/>        | <hr/>        |
| Details of loans not wholly repayable within five years are as follows:-  |              |              |
| Loan repayable in six monthly instalments of £47,500 commencing April 1998, secured by a mortgage on a vessel and supplemental Deed of Covenant. Interest is 7.5% for the period to April 2005, and thereafter at 8.08% | 996          | 1,045        |
| Details of loans wholly repayable within five years as follows:   |              |              |
| 10½% loan repayable in quarterly instalments of £15,860, including interest, commencing June 1994, secured by a mortgage on a vessel  | 215          | 253          |
| 7½% loan repayable in six monthly instalments of £34,000 commencing May 1995, secured by a mortgage on a vessel and supplemental Deed of Covenant   | 102          | 170          |
| 7½% loan repayable in six monthly instalments of £47,4219 commencing January 1996, secured by a mortgage on a vessel and supplemental Deed of Covenant  | 285          | 379          |
| Variable rate loan repayable in monthly instalments of £5,175, including interest, commencing in November 1996, secured by a bond and floating charge over the whole assets of the recipient subsidiary                 | 102          | 155          |
| 8.075% loan repayable in quarter instalments of £24,282, including interest, commencing in July 1996, guaranteed by the parent company  | -            | 70           |
| 10.3% loan repayable in monthly instalments of £490, including interest, commencing in October 1998   | 9            | 14           |
|   | <hr/>        | <hr/>        |
|   | 1,709        | 2,086        |
|   | <hr/>        | <hr/>        |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**

|                  |             |             |
|------------------|-------------|-------------|
| 14. <u>Loans</u> | <u>1999</u> | <u>1998</u> |
| (continued)      | £'000       | £'000       |

Analysis of changes in loan financing:

|                               |       |       |
|-------------------------------|-------|-------|
| At January 1                  | 2,086 | 2,498 |
| New loans                     | -     | 15    |
| Capital element of repayments | (377) | (427) |
|                               | <hr/> | <hr/> |
| At December 31                | 1,709 | 2,086 |
|                               | <hr/> | <hr/> |

The total minority interest share of the above outstanding loans is £448,000 (1998 - £494,000). The above figures represent the full liability of loans which have been advanced to subsidiary companies with sizeable external minority shareholdings. The outstanding loan of £996,000 is a liability of Knapdale Shipping (Campbeltown) Limited, in which there is a 40% minority interest, whilst Malakoff & Wm. Moore Limited, in whom there is a 45% minority interest, have loan liabilities totalling £111,000.

15. Obligations under leases and hire purchase contracts

|  | <u>Company</u>       |                      | <u>Group</u>         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
| Amounts due within one year                      | 37                   | 26                   | 253                  | 208                  |
| Amounts due within two to five years             | 19                   | 33                   | 250                  | 335                  |
|  | <hr/>                | <hr/>                | <hr/>                | <hr/>                |
|  | 56                   | 59                   | 503                  | 543                  |
| Less finance charges allocated to future periods | (4)                  | (4)                  | (52)                 | (58)                 |
|  | <hr/>                | <hr/>                | <hr/>                | <hr/>                |
|  | 52                   | 55                   | 451                  | 485                  |
|  | <hr/>                | <hr/>                | <hr/>                | <hr/>                |
| The above shown as:                              |                      |                      |                      |                      |
| Current obligations (note 12)                    | 34                   | 23                   | 223                  | 194                  |
| Non-current obligations (note 13)                | 18                   | 32                   | 228                  | 291                  |
|  | <hr/>                | <hr/>                | <hr/>                | <hr/>                |
|  | 52                   | 55                   | 451                  | 485                  |
|  | <hr/>                | <hr/>                | <hr/>                | <hr/>                |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****15. Obligations under leases and hire purchase contracts**  
*(continued)*

|                               | <u>Group</u> |             |
|-------------------------------|--------------|-------------|
|                               | <u>1999</u>  | <u>1998</u> |
|                               | £'000        | £'000       |
| Analysis of changes:          |              |             |
| At January 1                  | 485          | 380         |
| New contracts                 | 202          | 325         |
| Capital element of repayments | (236)        | (220)       |
|                               | <hr/>        | <hr/>       |
| At December 31                | 451          | 485         |
|                               | <hr/>        | <hr/>       |

## Annual commitments under non cancellable operating leases:

|  | <u>Land and buildings</u> |             | <u>Other</u> |             |
|--|---------------------------|-------------|--------------|-------------|
|  | <u>1999</u>               | <u>1998</u> | <u>1999</u>  | <u>1998</u> |
|  | £'000                     | £'000       | £'000        | £'000       |
| Leases which expire:                       |                           |             |              |             |
| Within one year                            | 51                        | 42          | 14           | 13          |
| Within the second to fifth years inclusive | 28                        | 29          | 34           | 29          |
| Over five years                            | 245                       | 247         | -            | -           |
|  | <hr/>                     | <hr/>       | <hr/>        | <hr/>       |
|  | 324                       | 318         | 48           | 42          |
|  | <hr/>                     | <hr/>       | <hr/>        | <hr/>       |

**16. Provisions for liabilities and charges**

| <u>Group</u>                      | <u>Deferred taxation</u> |
|-----------------------------------|--------------------------|
|                                   | £'000                    |
| At January 1, 1999                | 113                      |
| Released during the year (note 6) | (46)                     |
|                                   | <hr/>                    |
| At December 31, 1999              | 67                       |
|                                   | <hr/>                    |

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****16. Provisions for liabilities and charges**  
(continued)

The potential amounts of deferred taxation, including the amounts for which provision has been made, are as follows:-

| <u>Group</u>                   | <u>Provision</u>     |                      | <u>Potential</u>     |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
| Accelerated capital allowances | 50                   | 49                   | (225)                | (58)                 |
| Other timing differences       | 17                   | 64                   | (261)                | (365)                |
|                                | <u>67</u>            | <u>113</u>           | <u>(486)</u>         | <u>(423)</u>         |

The total potential liability for deferred taxation has been reduced by deferred tax assets of £597,000 (1998 - £549,000) in various group companies which have not been included in the amount provided.

| <u>Company</u>                 | <u>Provision</u>     |                      | <u>Potential</u>     |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
| Accelerated capital allowances | -                    | -                    | (30)                 | (26)                 |
| Other timing differences       | -                    | -                    | (97)                 | (233)                |
|                                | <u>-</u>             | <u>-</u>             | <u>(127)</u>         | <u>(259)</u>         |

**17. Minority interests**

|                                   | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|-----------------------------------|----------------------|----------------------|
| At January 1                      | 572                  | 650                  |
| Minority interest share of losses | (83)                 | (78)                 |
|                                   | <u>489</u>           | <u>572</u>           |
| At December 31                    | 489                  | 572                  |
| Equity interest                   | 241                  | 350                  |
| Non equity interest               | 248                  | 222                  |
|                                   | <u>489</u>           | <u>572</u>           |

The non equity interests subscribed to are in respect of preference shares in a subsidiary company which are non-voting and non-convertible. The only rights to dividends relate to a 12.5% fixed dividend which is cumulative.

The preference shares are due for redemption by the subsidiary company, at par together with a premium of 25p per share, in two equal instalments on December 31, 2001 and December 31, 2003.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**

| 18. <u>Share capital</u>                                   | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| Authorised:  |               |               |
| Equity interests   |               |               |
| 9,346 ordinary shares of £100 each (1998:9,346)            | 935           | 935           |
| 654 preferred ordinary shares of £100 each (1998:654)      | 65            | 65            |
| Non equity interests                                       |               |               |
| 1,00,00 7.5% preference shares of £1 each (1998:1,000,000) | 1,000         | 1,000         |
|  | <hr/>         | <hr/>         |
|  | 2,000         | 2,000         |
|  | <hr/>         | <hr/>         |
| Allotted, issued and fully paid:                           |               |               |
| Equity interests   |               |               |
| 6,390 ordinary shares of £100 each (1998:6,390)            | 639           | 639           |
| 654 preferred ordinary shares of £100 each (1998:654)      | 65            | 65            |
| Non equity interests                                       |               |               |
| 650,000 7.5% preference shares of £1 each (1998: 650,000)  | 650           | 650           |
|  | <hr/>         | <hr/>         |
|  | 1,354         | 1,354         |
|  | <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. The shares are redeemable at the option of the holder at any time, subject to the holder providing the company one month's notice in writing of his intention to redeem. In the event of a winding up, the holders of the preference shares shall rank ahead of the holders of the ordinary shares and the preferred ordinary shares, but only to the extent of being repaid at par.

| 19. <u>Net cash (outflow)/inflow from operating activities</u> | 1999<br>£'000 | 1998<br>£'000 |
|--|---------------|---------------|
| Operating loss   | (2,266)       | (452)         |
| Depreciation   | 1,360         | 1,432         |
| Impairment of assets   | 304           | 424           |
| Decrease/(increase) in stocks                                  | 694           | (107)         |
| Decrease in debtors  | 232           | 2,299         |
| Decrease in creditors  | (361)         | (1,776)       |
| Release from deferred grants                                   | (131)         | (99)          |
| Provision against investments                                  | -             | 30            |
|  | <hr/>         | <hr/>         |
| Net cash (outflow)/inflow from operating activities            | (168)         | 1,751         |
|  | <hr/>         | <hr/>         |



**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999**

| 20. <u>Reconciliation of net cash flow to movement in net debt</u> | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--|----------------------|----------------------|
| (Decrease)/increase in cash in the year                            | (1,665)              | 220                  |
| Cash outflow from loans  | 377                  | 427                  |
| Cash outflow from finance leases                                   | 236                  | 220                  |
|  | <hr/>                | <hr/>                |
| Change in net debt resulting from cash flows                       | (1,052)              | 867                  |
| Inception of finance leases  | (202)                | (325)                |
| New loan contract  | -                    | (15)                 |
|  | <hr/>                | <hr/>                |
| Movement in net debt in the year                                   | (1,254)              | 527                  |
| Net debt at January 1  | (3,975)              | (4,502)              |
|  | <hr/>                | <hr/>                |
| Net debt at December 31  | (5,229)              | (3,975)              |
|  | <hr/>                | <hr/>                |

The share of net debt attributable to minority interests at December 31, 1999 was £671,000 (1998 - £667,000).

21. Analysis of change in net debt

|                          | <u>At Jan 1</u><br><u>1999</u><br>£'000 | <u>Cash flow</u><br>£'000 | <u>Non cash</u><br><u>items</u><br>£'000 | <u>At Dec 31</u><br><u>1999</u><br>£'000 |
|--------------------------|---|---------------------------|--|--|
| Cash in hand and at bank | 1,046                                   | (627)                     | -  | 419                                      |
| Overdrafts               | (2,450)                                 | (1,038)                   | -  | (3,488)                                  |
|                          | <hr/>                                   | <hr/>                     | <hr/>                                    | <hr/>                                    |
| Debt                     | (1,404)                                 | (1,665)                   | -  | (3,069)                                  |
| Finance leases           | (2,086)                                 | 377                       | -  | (1,709)                                  |
|                          | (485)                                   | 236                       | (202)                                    | (451)                                    |
|                          | <hr/>                                   | <hr/>                     | <hr/>                                    | <hr/>                                    |
|                          | (3,975)                                 | (1,052)                   | (202)                                    | (5,229)                                  |
|                          | <hr/>                                   | <hr/>                     | <hr/>                                    | <hr/>                                    |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****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 and director of the parent company, holds an interest in both these partnerships and James Lithgow, also a shareholder and director of the parent company, holds an interests in the Ormsary Farmers partnership. These contracts were on an arm's length basis and were in respect of the provision of services by Ormsary Farmers and Inver Farmers to rear fish stocks at Ormsary, Argyll, the provision by Ormsary Farmers of consultancy services, and the provision of electrical contracting and labour to Ormsary Farmers and Inver Farmers.

Landcatch Limited provided services in the provision of production support and technical know-how to its joint venture entity, Landcatch Chile Limitada. In addition, in 1999 Landcatch also supplied the joint venture with salmon ova.

Details of the values of these services supplied during the financial year and the balances outstanding at the balance sheet date are shown below:-

|   | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|---|----------------------|----------------------|
| Value of services provided in financial year:                   |                      |                      |
| Provision of electrical contracting services to Ormsary Farmers | 79                   | 34                   |
| Provision of labour to Ormsary Farmers                          | 15                   | 15                   |
| Provision of electrical contracting services to Inver Farmers   | 3                    | 5                    |
| Provision of labour to Ormsary Farmers                          | 6                    | 2                    |
| Provision of services to Landcatch Chile Limitada               | 63                   | 61                   |
| Provision of salmon ova to Landcatch Chile Limitada             | 32                   | -                    |
| Provision of services by Ormsary Farmers to rear fish stocks    | 1,487                | 1,437                |
| Provision of consultancy services by Ormsary Farmers            | 6                    | 5                    |
| Provision of services by Inver Farmers to rear fish stocks      | 127                  | 199                  |
| Amounts outstanding at December 31:                             |                      |                      |
| Due by Ormsary Farmers  | 11                   | 29                   |
| Due by Inver Farmers  | -                    | 1                    |
| Due by Landcatch Chile Limitada                                 | -                    | 61                   |
| Due to Ormsary Farmers  | 155                  | 137                  |
| Due to Inver Farmers  | 25                   | 24                   |

**LITHGOWS LIMITED****NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999****23. Capital Commitments**

|   | <u>Company</u> |              | <u>Group</u> |              |
|---|----------------|--------------|--------------|--------------|
|   | <u>1999</u>    | <u>1998</u>  | <u>1999</u>  | <u>1998</u>  |
|   | <u>£'000</u>   | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| Contracted for but not provided in these financial statements | -              | -            | 624          | -            |

**24. Contingent liabilities**

There were no contingent liabilities at either December 31, 1999 or December 31, 1998.

**25. Pension commitments**

The Group operates a defined benefit scheme, The Lithgows Limited Pension Scheme. The assets of the scheme are held separately from those of the group, being managed by independent fund managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of regular valuations, the most recent of which was at April 6, 1998. The valuation used the projected unit method. The principal assumptions used in the valuation were an investment return of 1.75% per annum higher than the rate of increase in pensionable salaries (2.25% for hourly paid members) and 3.75% higher than the rate of dividend growth and future pension increases in accordance with the rules of the scheme.

The most recent actuarial valuation showed that the market value of the scheme's assets was £15,023,505, and that the actuarial value of those assets represented 100% of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries.

On the basis of the contributions paid by the group the pension charge for the year was £324,190 (1998 - £302,379).