SC010170 RdC

Lithgows Limited

Report and Financial Statements 2010

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT

I can advise that since I reported last year, the Group has made considerable progress in achieving its strategy of reducing risk, lowering gearing and realising value from the assets it holds.

The sale of our joint venture engineering interest in the Prosper Distribution group to the French based Beck Industries took place in March 2010. This disposal ended the direct association between the Lithgow Group and Prosper which extended back to the 1970's. There are significant synergies with the purchasing group which will provide the company, now rebranded as Beck Prosper, with an excellent opportunity to grow its business further and become a major international player within the integrated global supply chain.

In June 2011, the Group completed the sale of the aquaculture business and assets of Landcatch, together with the disposal of the related entity Landcatch Natural Selection, to the Dutch based Hendrix Genetics BV group. As a consequence of these transactions, the Group, having been involved in the sector since 1980, has ceased its direct involvement in the Scottish salmon industry. However, through the related parties of Ormsary Farmers and Inver Farmers, the provision of facilities and services to the ongoing business has been secured on long term contracts.

As I reported last year, the company's investment in its joint venture interest, Landcatch Chile SA, was sold on partly deferred terms to a privately owned Chilean company in October 2009. Settlement terms were renegotiated, and as a consequence the payments of the outstanding sums were accelerated, with final payments received in June 2011.

The attached financial statements show a further significant reduction in gearing during 2010. The above transactions and the accelerated settlements that have been negotiated result in the net borrowings being removed, and the Group having funds available to invest as at the time of writing this Statement. As a consequence, the Group has a strong base from which it wishes to develop its future strategy, focussed on the marine leisure and power generation industries.

In addition to its established customer base, Buckie Shipyard has added new facilities for the construction of aluminium catamarans for use as service vessels in the expanding offshore wind generation sector. The yard, which focuses on commercial and specialist boat repair, refit and outfit, has now completed contracts for five such vessels, with three in progress and a number of further enquiries outstanding. The yard is well placed to benefit from a major strategy within the local community to promote Buckie harbour as a base for the renewable energy industry.

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT
(continued)

The operating performance from our activities at The Marine Resource Centre based at Barcaldine, near Oban continues to be profitable. In addition to the well established activities of generating hydro electricity and the servicing of companies in the aquaculture sector, turnover from the leisure industry continues to increase. A new pontoon facility was completed in 2010, and this has been enthusiastically received by existing and new patrons of the site, with increased demand being experienced in the current season. Consideration is therefore being given to increasing storage and mooring capacity to meet customer demand. Further renewable energy projects are also being targeted for the site.

Since I last reported, we have formed a new company, Lithgow Energy Limited, with the intention that it will hold the Group's existing and new investment interests in renewable energy assets. At present, this company holds a joint venture interest in Inver Hydro LLP, a partnership established to develop and operate a hydro generation unit. In addition, it is intended that it will become a partner in an LLP established to develop and operate a wind farm in Mid-Argyll. Both projects have received the necessary planning consents and are in development. Long term external project funding has been secured by Inver Hydro LLP, and it is anticipated that similar project funding will be confirmed for the wind farm project within the next few months. The development of these projects within Lithgow Energy, along with other projects under active consideration, build upon a family history of renewable energy generation dating back to 1918 and reflect the current shareholder strategy. Wind and hydro energy developments will endure for the long term, and it is believed their success will underpin the profitability and cash generation of the Group for the future.

McKinlay & Blair, our small electrical contracting business, reported a satisfactory performance in 2010, and will provide valuable support to the Group operations as we expand our strategic developments within the renewable energy sector

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

I am pleased that we have delivered on the first part of our strategy in reducing shareholder risk and gearing. I now look forward to the next stage as we develop a number of the identified renewable energy schemes which will help meet the demand for clean energy and sustain the Group for many years ahead.

James F. Lithgow

JAMES F. LITHGOW
Chairman

September 9, 2011

LITHGOWS LIMITED

Directors

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

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

Mr. H.M. Currie *(Managing Director)* – resigned June 10, 2011

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

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

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

Registered Office

Netherton
Langbank
Renfrewshire
PA14 6YG

LITHGOWS LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended December 31, 2010.

Results and dividends

As a consequence of an impairment in the carrying value of certain assets in the aquaculture business in anticipation of the disposal of such businesses, the Group trading loss for the year before taxation amounted to £3,458,000.

Dividends of £20,369 were paid during the year, and these have been deducted from reserves.

Review of the business

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

Directors

The directors as at December 31, 2010 are stated on page 3.

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

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Directors' responsibilities for the financial statements

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and of the Group, and enable them to ensure that the financial statements comply with the Companies Act 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 2013. In addition, it has agreed a level of facilities with its main bankers which will enable funding to be in place during this period which should be adequate to meet the Group's requirements as laid out in these projections. On this basis, the directors are satisfied that they can continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Interest rate cash flow risk

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

Disabled employees

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

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Employees

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

Auditors

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

ON BEHALF OF THE BOARD

A.R. Reid

A.R. REID
Director & Company Secretary

September 9, 2011

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, 2010 which comprise the Group profit and loss account, the Group and parent company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group and parent company reconciliation of movement in shareholders' funds and notes 1 to 27. 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 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, 2010 and the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Grant Thornton UK LLP

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

September 14, 2011

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	2010 £'000	2010 £'000		2009 £'000
TURNOVER					
Group and share of joint ventures' turnover			9,332		16,371
Less: share of joint ventures' turnover - continuing			(44)		(32)
share of joint ventures' turnover – discontinued		(1,360)		(8,250)	
GROUP TURNOVER	1				
Continuing operations		7,928			8,089
Discontinued operations		-			-
			7,928		8,089
Cost of sales	2		(6,101)		(6,363)
GROSS PROFIT			1,827		1,726
Other operating income and charges	2	1,361			1,068
Exceptional costs	2	313			-
			1,674		1,068
OPERATING PROFIT	3		153		658
Share of operating loss of continuing joint ventures	9		(52)		(63)
Share of operating profit/(loss) of discontinued joint ventures	9		7		(89)
			108		506
Gain on disposal of discontinued joint venture interests	9		35		267
Provision for impairment in the value of certain assets in anticipation of disposal	9		(4,511)		-
Reassessment of FRS 17 liability related to anticipated disposal	9		1,233		-
			(3,135)		773
Net interest	5		(35)		216
Other finance costs	27		(288)		(511)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(3,458)		478
Taxation credit/(charge)	6		33		(289)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			(3,425)		189

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, 2010

	2010 £'000	2009 £'000
(Loss)/profit for the year	(3,425)	189
Exchange differences	17	130
Unrealised gain on investments	-	2,221
Impairment of land previously revalued	(90)	-
Impairment of investment in joint venture previously revalued	(3,500)	-
Actuarial loss arising in pension scheme (note 27)	(2,287)	(659)
Total recognised losses and gains for the year	(9,285)	1,881

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2010 £'000	2009 £'000
Reported (loss)/profit on ordinary activities before taxation	(3,458)	478
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	5	5
Realisation of revaluation reserve arising on the sale of joint venture interests	2,221	-
Historical cost (loss)/profit on ordinary activities before taxation	(1,232)	483
Historical cost (loss)/profit retained	(1,199)	194

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

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

	Profit and loss account £'000	Reval-uation surplus £'000	Capital redemption reserves £'000	Total reserves £'000	Called-up share capital £'000	Total share-holders' funds £'000
At January 1, 2009	7,130	3,370	325	10,825	1,354	12,179
Movements in 2009						
Exchange differences - joint venture	130	-	-	130	-	130
Revaluation of investment in joint venture	-	2,221	-	2,221	-	2,221
Actuarial loss (note 27)	(659)	-	-	(659)	-	(659)
Dividends paid (note 7)	(18)	-	-	(18)	-	(18)
Profit for the year	189	-	-	189	-	189
At December 31, 2009	6,772	5,591	325	12,688	1,354	14,042
Movements in 2010:						
Exchange differences - joint venture	17	-	-	17	-	17
Impairment in investments	-	(3,500)	-	(3,500)	-	(3,500)
Impairment in carrying value of land	-	(90)	-	(90)	-	(90)
Realisation of investment in joint venture	2,221	(2,221)	-	-	-	-
Reclassification	(600)	600	-	-	(650)	(650)
Actuarial loss (note 27)	(2,287)	-	-	(2,287)	-	(2,287)
Dividends paid (note 7)	(20)	-	-	(20)	-	(20)
Loss for the year	(3,425)	-	-	(3,425)	-	(3,425)
At December 31, 2010	2,678	380	325	3,383	704	4,087

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

LITHGOWS LIMITED
GROUP BALANCE SHEET AT DECEMBER 31, 2010

	Notes	£'000	2010 £'000	2009 £'000
Fixed assets:				
Tangible assets	8	3,173		3,405
Investments:				
Joint ventures	9b	499		6,899
Unlisted investments	9c	1,776		22
			5,448	10,326
Current assets:				
Stocks and work-in-progress	10	831		951
Debtors: amounts falling due within one year	11	6,023		5,993
Debtors: amounts falling due after more than one year	11	3,861		7,783
Cash at bank and in hand		1,311		1,625
		12,026		16,352
Creditors: amounts falling due within one year	12	(5,434)		(4,324)
Net current assets			6,592	12,028
Total assets less current liabilities			12,040	22,354
Creditors: amounts falling due after more than one year	13		(87)	(1,421)
Accruals and deferred income:				
Deferred grants	17		(316)	(360)
Net assets excluding pension liability			11,637	20,573
Pension liability	27		(7,550)	(6,531)
Net assets including pension liability			4,087	14,042
Capital and reserves:				
Called up share capital	18		704	1,354
Reserves			3,383	12,688
Total shareholders' funds			4,087	14,042

The financial statements were approved by the directors on September 9, 2011.

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

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

Company Registration Number : SC010170

LITHGOWS LIMITED
COMPANY BALANCE SHEET AT DECEMBER 31, 2010

	Notes	£'000	2010 £'000	2009 £'000
Fixed assets:				
Tangible assets	8	62		57
Investments:				
Subsidiary undertakings	9a	7,570		13,401
Joint venture	9b	494		4,185
Unlisted investments	9c	1,776		20
			9,902	17,663
Current assets:				
Debtors: amounts falling due within one year	11	72		296
Debtors: amounts falling due after more than one year	11	2,388		1,858
Cash at bank and in hand		1,066		1,417
		3,526		3,571
Creditors: amounts falling due within one year	12	(3,148)		(2,617)
Net current assets			378	954
Total assets less current liabilities			10,280	18,617
Creditors: amounts falling due after more than one year	13		-	(1,229)
			10,280	17,388
Capital and reserves:				
Called up share capital	18		704	1,354
Reserves	19		9,576	16,034
Total shareholders' funds			10,280	17,388

The financial statements were approved by the directors on September 9, 2011.

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

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

Company Registration Number : SC010170

LITHGOWS LIMITED

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow/(outflow) from operating activities	20	1,438	(3,204)
Returns on investments and servicing of finance			
Interest received		53	359
Interest paid		(18)	(36)
Finance lease interest paid		(7)	(11)
Loan interest paid		(63)	(96)
Net cash (outflow)/inflow from returns on investment and servicing of finance		(35)	216
Capital expenditure and financial investment			
Purchase of fixed assets		(259)	(146)
Sale of fixed assets		-	9
Disposal of investments		2,769	2,794
Purchase of investments		(1,759)	-
Receipt of grant	17	26	165
Net cash inflow from capital expenditure and financial investment		777	2,822
Dividends paid	7	(20)	(18)
Financing			
Inception of new loan	21	77	3,000
Repayment of borrowings	21	(2,551)	(229)
Capital element of finance lease rentals	21	(74)	(63)
Net cash (outflow)/inflow from financing		(2,548)	2,708
(Decrease)/increase in cash	22	(388)	2,524

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, 2010 was £2,938,000 (2009 – profit of £25,000).

Investments in subsidiary undertakings

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

Investments in joint ventures

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

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

ACCOUNTING POLICIES
(continued)

Investment in unlisted investments

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

Depreciation

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

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

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

Stocks and work-in-progress

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

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

Long-term contracts

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

ACCOUNTING POLICIES
(continued)

Deferred taxation

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

Grants

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

Financial instruments

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

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

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

Foreign currencies

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

LITHGOWS LIMITED

ACCOUNTING POLICIES
(continued)

Leasing and hire purchase commitments

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

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

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

Retirement benefits

Defined contribution pension scheme

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

The company also participates in a defined benefits scheme, The Lithgows Limited Pension Scheme. The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period. Details in respect of the current deficit of the scheme are included in note 27 of these financial statements.

Defined benefit pension scheme

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

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

Research and development

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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

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:-

	2010	2009
	£'000	£'000
Marine	3,477	3,407
Engineering and electrical	110	390
Aquaculture	4,150	4,000
Hydro generation	128	172
Others	63	120
	7,928	8,089
Share of joint ventures' turnover		
Aquaculture – discontinued per note 9	-	1,704
Engineering and electrical – discontinued per note 9	1,360	6,546
Property development	44	32
	9,332	16,371

Analysis of turnover by geographical area:

	2010	2009
	£'000	£'000
U.K.	7,802	8,042
E.U.	126	27
Asia and Australasia	-	20
	7,928	8,089
Share of joint ventures' turnover		
Americas	-	1,962
U.K.	1,402	3,606
Europe	2	2,352
Middle East	-	66
Africa	-	43
Asia and Australasia	-	253
	9,332	16,371

2. Cost of sales/other operating income and charges

	2010	2009
	£'000	£'000
Cost of sales:		
Cost of sales	6,101	6,363
Other operating income and charges:		
Distribution costs	(172)	220
Administration costs	1,613	916
Exceptional costs	313	-
Other operating income	(80)	(68)
	1,674	1,068

The exceptional costs represent a provision for reorganisation costs.

3. Operating profit

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

	2010	2009
	£'000	£'000
Items charged:		
Fees payable to group auditors for audit of group financial statements	28	28
Fees payable to group auditors for audit of subsidiary companies	26	30
Fees payable to group auditors for non-audit services	1	1
Depreciation of owned assets	354	257
Depreciation of assets held under finance leases and hire purchase contracts	47	53
Hire of plant	25	30
Operating lease rentals – plant and machinery	27	33
Operating lease rentals – land and buildings	237	191
Loss on disposal of fixed assets	-	1
Items credited:		
Net rental income	6	7
Release from deferred grants	70	58

(b) Directors' emoluments

	2010	2009
	£'000	£'000
Aggregate emoluments	454	389

During the year, 5 directors (2009 – 5 directors) participated in defined benefit pension schemes.

The emoluments of the highest paid director were £166,259 (2009 - £137,921). The highest paid director's accrued pension at the year end was £93,110 (2009 - £90,185).

4. Staff costs

	2010 £'000	2009 £'000
Wages and salaries	2,461	2,456
Social security costs	229	234
Other pensions costs	137	55
	2,827	2,745

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

	2010 No.	2009 No.
Marine	78	62
Engineering and electrical	1	1
Aquaculture	10	14
Others	11	12
	100	89

5. Net interest

	2010 £'000	2009 £'000
Bank loans and overdrafts	(71)	(117)
Finance charges payable under finance leases and hire purchase contracts	(7)	(11)
Other interest payable	(10)	(15)
	(88)	(143)
Bank deposit interest received	1	2
Loan interest receivable	-	117
Other interest receivable	52	240
	(35)	216

6. Taxation (credit)/charge

	2010 £'000	2009 £'000
The taxation (credit)/charge for the year represents:		
Share of tax charge/(credit) on joint ventures' profits	4	(6)
Tax (recoverable)/withheld on disposal of joint venture investment	(37)	295
	(33)	289

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

7. Dividends

	2010 £'000	2009 £'000
Preferred ordinary dividend – interim dividend of £31 (2009 - £27) per share	20	18

8. Tangible fixed assets

Company	Freehold property £'000	Machinery, plant, vehicles and fittings £'000	Total £'000
Cost or valuation:			
At January 1, 2010	331	162	493
Additions	-	10	10
Disposals	-	(99)	(99)
At December 31, 2010	331	73	404
Depreciation			
At January 1, 2010	274	162	436
Charge for the year	-	5	5
Disposals	-	(99)	(99)
At December 31, 2010	274	68	342
Net book value:			
At January 1, 2010	57	-	57
At December 31, 2010	57	5	62

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

8. Tangible fixed assets
(continued)

	Freehold property £'000	Surplus land £'000	Leasehold property £'000	Machinery plant vehicles and fittings £'000	Total £'000
Group					
Cost or valuation:					
At January 1, 2010	1,804	500	435	8,519	11,258
Additions	-	-	64	195	259
Disposals	-	-	-	(117)	(117)
Impairment	-	(90)	-	-	(90)
At December 31, 2010	1,804	410	499	8,597	11,310
Depreciation:					
At January 1, 2010	1,015	-	266	6,572	7,853
Charge for the year	25	-	44	332	401
Disposals	-	-	-	(117)	(117)
At December 31, 2010	1,040	-	310	6,787	8,137
Net book value:					
At January 1, 2010	789	500	169	1,947	3,405
At December 31, 2010	764	410	189	1,810	3,173
Cost or valuation at December 31, 2010, comprises:					
Cost	1,512	-	499	8,597	10,608
Valuation in 1984	112	-	-	-	112
Valuation in 1999	180	-	-	-	180
Valuation in 2010	-	410	-	-	410
	1,804	410	499	8,597	11,310

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

8. Tangible fixed assets
(continued)

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

	Surplus land £'000	Freehold property £'000	Total £'000
Historical cost:			
At January 1, 2010	30	151	181
Disposal	-	-	-
At December 31, 2010	30	151	181
Depreciation based on cost:			
At January 1, 2010	-	24	24
Disposal	-	-	-
At December 31, 2010	-	24	24
Net historical cost value:			
At January 1, 2010	30	127	157
At December 31, 2010	30	127	157

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

	Company £'000	Group £'000
Net book value:		
At January 1, 2010	-	305
At December 31, 2010	-	258

9. Investments

(a) Subsidiary undertakings:

	2010 £'000	2009 £'000
Company		
Investment in subsidiary undertakings comprises:		
Cost	12,401	11,046
Amounts written off	(2,941)	(1,181)
Amounts due by subsidiaries, less provisions	2,825	7,017
Amounts due to subsidiaries	(4,715)	(3,481)
Net book value	7,570	13,401

Group

A provision of £4,511,000 for impairment in the value of certain assets within the Group's aquaculture businesses has been incorporated as at December 31, 2010 in anticipation of the disposal of these businesses.

In light of these disposals which have occurred during 2011, further consideration has been given to the nature of the FRS17 liability, and where the FRS17 liability ultimately rests in relation to non-Group members. To reflect the fact that an element of the liability to the pension scheme falls on participating employers outwith the Group, a reassessment of the extent on the Group's FRS17 liability of £1,233,000 has been reflected.

At December 31, 2010, the company had beneficial interests directly or indirectly (*) in the ordinary share capital of the undernoted principal operating subsidiary undertakings. All are registered in Scotland and all are 100% owned.

Nature of Business	Company
Marine:	Buckie Shipyard Limited Knapdale Shipping (Campbeltown) Limited The Marine Resource Centre Limited
Engineering and electrical:	Buckie Fabrications Limited* McKinlay & Blair Limited Prosper Group Limited
Aquaculture:	Clachbreck Fish Farms Inver Lochs Limited Landcatch Limited Ormsary Fish Farms Limited
Hydro generation:	MRC Energy Limited* Lithgow Energy Limited
Finance:	Inver Salmon Limited Lithgow Factoring Limited

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

9. Investments
(continued)

(b) Interest in joint ventures

Joint venture	Country of incorporation	Class of share capital held	Proportion held by Group	Nature of business
Achadonn Limited (through Lithgows Limited)	Scotland	Ordinary shares	50%	Property Development
Prosper Distribution Limited (through Prosper Group Limited)	England	Ordinary Shares	50%	Engineering
Prosper Group Hong Kong Ltd (through Prosper Group Limited)	Hong Kong	Ordinary Shares	33.33%	Engineering
Landcatch Chile SA (through Landcatch Limited)	Chile	Ordinary shares	50%	Fish Farming
Inver Hydro LLP (through Lithgow Energy Limited)	Scotland	Limited Liability Partnership	50%	Renewable Energy

The interest in Landcatch Chile SA was sold in October 2009, whilst the interests in Prosper Distribution Limited and Prosper Group Hong Kong Limited were sold in March 2010.

9. Investments
(continued)

(b) Interest in joint ventures (continued)

	Company Property Development £'000	Engineering £'000	Renewable Energy £'000	Group £'000
At January 1, 2010	4,185	2,714	-	6,899
Capital contribution	-	-	5	5
Share of (loss)/profit retained by joint ventures	(191)	3	-	(188)
Exchange differences	-	17	-	17
Impairment on assets previously included at valuation	(3,500)	-	-	(3,500)
Disposal of interest in joint ventures	-	(2,734)	-	(2,734)
At December 31, 2010	**494**	**-**	**5**	**499**

The Group's share in its joint ventures as at December 31, 2010 comprises:

Fixed assets	-	-	-	-
Current assets	7,368	-	5	7,373
Gross assets	7,368	-	5	7,373
Liabilities due within one year	4,097	-	-	4,097
Liabilities due after more than one year	2,777	-	-	2,777
Gross liabilities	6,874	-	-	6,874
Net assets	**494**	**-**	**5**	**499**
Turnover	**44**	**1,360**	**-**	**1,404**
(Loss)/profit before taxation	**(52)**	**7**	**-**	**(45)**
Taxation	(139)	(4)	-	(143)
(Loss)/profit after taxation	**(191)**	**3**	**-**	**(188)**

9. Investments
(continued)

(b) Interest in joint ventures (continued)

The Group's share in its joint ventures as at December 31, 2009 comprises:

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
Fixed assets	-	2,569	-	2,569
Current assets	10,677	3,058	-	13,735
Gross assets	10,677	5,627	-	16,304
Liabilities due within one year	4,136	2,653	-	6,789
Liabilities due after more than one year	2,356	260	-	2,616
Gross liabilities	6,492	2,913	-	9,405
Net assets	**4,185**	**2,714**	**-**	**6,899**
Turnover	**32**	**6,546**	**1,704**	**8,282**
(Loss)/profit before taxation	**(63)**	**84**	**(173)**	**(152)**
Taxation	-	(33)	39	6
(Loss)/profit after taxation	**(63)**	**51**	**(134)**	**(146)**

(c) Unlisted investments

Unlisted investments comprise:	Company £'000	Group £'000
Cost:		
At January 1, 2010	64	163
Additions	1,756	1,754
At December 31, 2010	1,820	1,917
Amounts written off:		
At January 1, 2010 and December 31, 2010	44	141
Net book value:		
At January 1, 2010	20	22
At December 31, 2010	1,776	1,776

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

10. Stocks and work-in-progress

	Group 2010 £'000	Group 2009 £'000
Raw material and consumables	135	97
Work-in-progress	(6)	22
Livestock	702	832
	831	951

11. Debtors

	Company 2010 £'000	Company 2009 £'000	Group 2010 £'000	Group 2009 £'000
Amounts falling due within one year:				
Trade debtors	8	40	781	643
Amounts due from joint ventures	-	104	2	664
Amounts due from related party	-	-	1,243	2,383
Other debtors	11	62	3,678	1,989
Prepayments and accrued income	33	70	299	294
Corporation tax	20	20	20	20
	72	296	6,023	5,993
Amounts falling due after more than one year:				
Amounts due from joint ventures	2,388	1,858	2,388	2,796
Amounts due from related parties	-	-	-	2,894
Other debtors	-	-	1,473	2,093
	2,388	1,858	3,861	7,783

12 Creditors: amounts falling due within one year

	Company		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank facilities	-	17	534	460
Current instalments due on loans (note 14)	1,000	2,195	1,035	2,249
Obligations under finance lease and hire purchase contracts (note 15)	-	-	63	63
Trade creditors	18	44	882	488
Amounts due to joint ventures	-	-	-	12
Other taxes and social security costs	14	17	72	73
Other creditors	1,019	74	1,497	370
Preference shares (note14)	650	-	650	-
Pension contributions	32	35	32	35
Accruals	415	235	669	574
	3,148	2,617	5,434	4,324

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

	Company		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Loans (note 14)	-	1,229	30	1,290
Obligations under finance leases and hire purchase contracts (note 15)	-	-	57	131
	-	1,229	87	1,421

14. Loans and borrowings

	Company 2010 £'000	Company 2009 £'000	Group 2010 £'000	Group 2009 £'000
(a) Loans are repayable as follows				
Wholly repayable within five years	1,000	3,424	1,065	3,539
Instalments due:				
Between two and five years	-	-	3	13
Between one and two years	-	1,229	27	1,277
	-	1,229	30	1,290
Within one year (note 12)	1,000	2,195	1,035	2,249
	1,000	3,424	1,065	3,539

Details of loans wholly repayable within five years as follows:

	Group 2010 £'000	Group 2009 £'000
Loan repayable in monthly instalments of £871, commencing April 2004, secured by a second ranking floating charge over the whole of the assets of the subsidiary company to whom the loan has been provided. Interest is charged at the rate of 7.5% per annum	22	31
Loan repayable by way of three agreed capital repayments, the last of which is scheduled for June 2011, secured by a floating charge over the whole assets of the recipient company. Interest is charged at 3% above LIBOR	1,000	3,000
Loan repayable in 60 monthly instalments commencing October 2006, secured by a bond and floating charge over the assets of the parent company, and guarantees totalling £967,000 from subsidiary companies. Interest is charged at 1.5% above LIBOR.	-	424
Loan repayable in 60 monthly instalments commencing October 2006, secured by a first standard security over heritable property of the relevant subsidiary, a bond and floating charge over the assets of the relevant subsidiary and a guarantee of £328,000 provided by a subsidiary. Interest is charged at 1.5% above the bank's base rate.	-	84
Interest free loan advanced in April 2010, and repayable over 29 instalments.	43	-
	1,065	3,539

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

14. Loans and borrowings
(continued)

	Company		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
(b) Preference shares	650	-	650	-

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

	2010	2009
	£'000	£'000
(c) Analysis of changes in loan financing:		
At January 1	3,539	768
Inception of new loans	77	3,000
Reclassification	650	-
Capital element of repayments	(2,551)	(229)
At December 31	1,715	3,539

15. Obligations under leases and hire purchase contracts

	Group	
	2010	2009
	£'000	£'000
Amounts due within one year	61	81
Amounts due within two to five years	63	124
	124	205
Less finance charges allocated to future periods	(4)	(11)
	120	194
The above shown as:		
Current obligations (note 12)	63	63
Non-current obligations (note 13)	57	131
	120	194

15 Obligations under leases and hire purchase contracts
(continued)

	Group	
	2010	2009
	£'000	£'000
Analysis of changes:		
At January 1	194	57
New contracts	-	200
Capital element of repayments	(74)	(63)
At December 31	120	194

Annual commitments under non cancellable operating leases:

	Land and buildings		Other	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	1	1	6	5
Within the second to fifth years inclusive	77	46	21	25
Over five years	158	159	-	-
	236	206	27	30

16. Deferred taxation

There is no deferred taxation liability as at December 31, 2010 or December 31, 2009.

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

17. Deferred grants

	Group	
	2010	2009
	£'000	£'000
At January 1	360	253
Received in year	26	165
Released in year	(70)	(58)
At December 31	316	360

17. Share capital

	2010	2009
	£'000	£'000
Authorised:		
Equity interests		
9,346 ordinary shares of £100 each (2009:9,346)	935	935
654 preferred ordinary shares of £100 each (2009:654)	65	65
1,000,000 7.5% preference shares of £1 each (2009:1,000,000)	1,000	1,000
	2,000	2,000
Allotted, issued and fully paid:		
Equity interests		
6,390 ordinary shares of £100 each (2009:6,390)	639	639
654 preferred ordinary shares of £100 each (2009:654)	65	65
650,000 7.5% preference shares of £1 each (2009: 650,000)	-	650
	704	1,354

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

The preference shares are non-voting and non-convertible and have no rights to share in dividends other than the fixed 7.5% dividend which is non-cumulative and is payable at the discretion of the directors. As at December 31, 2010, the holders of the preference shares have not renewed their confirmation to put aside their option to redeem all or any of the fully paid up preference shares, and therefore under the provisions of FRS25, the preference shares have been reclassified as debt of the company. In the event of a winding up, the holders of the preference shares shall rank ahead of the holders of the ordinary shares and the preferred ordinary shares, but only to the extent of being repaid at par.

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

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total reserves £'000	Called up share capital £'000	Total £'000
At January 1, 2010	3,500	325	12,209	16,034	1,354	17,388
Loss for year	-	-	(2,938)	(2,938)	-	(2,938)
Reclassification	-	-	-	-	(650)	(650)
Impairment on assets previously included at valuation	(3,500)	-	-	(3,500)	-	(3,500)
Dividends	-	-	(20)	(20)	-	(20)
At December 31, 2010	-	325	9,251	9,576	704	10,280

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

	2010 £'000	2009 £'000
Operating profit	153	658
Loss on disposal of fixed assets	-	1
Depreciation	401	310
Decrease/(increase) in stocks	120	(59)
Increase in debtors	(61)	(3,465)
Increase/(decrease) in creditors	895	(586)
Release from deferred grants	(70)	(58)
Exchange rate movement	-	(5)
Net cash inflow/(outflow) from operating activities	1,438	(3,204)

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

21. Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
(Decrease)/increase in cash in the year (note 22)	(388)	2,524
Net cash outflow/(inflow) from loans	2,474	(2,771)
Cash outflow from finance leases	74	63
Change in net debt resulting from cash flows	2,160	(184)
Inception of finance leases	-	(200)
Reclassification	(650)	-
Movement in net debt in the year	1,510	(384)
Net debt at January 1	(2,568)	(2,184)
Net debt at December 31	(1,058)	(2,568)

22. Analysis of change in net debt

	At Jan 1 2010 £'000	Cash flow £'000	Non cash items £'000	Exchange difference £'000	At Dec 31 2010 £'000
Cash in hand and at bank	1,625	(314)	-	-	1,311
Bank facilities	(460)	(74)	-	-	(534)
	1,165	(388)	-	-	777
Debt (note 14)	(3,539)	2,474	(650)	-	(1,715)
Finance leases (note 15)	(194)	74	-	-	(120)
	(2,568)	2,160	(650)	-	(1,058)

23. Related parties

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

Through Lithgow Energy Limited, the Group has made a capital contribution to Inver Hydro LLP, a joint venture between Lithgow Energy Limited and Inver Farmers. During 2010, the Group provided some electrical contracting services to the joint venture during the construction of its hydro scheme, and the sum concerned remained outstanding at the year end.

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

The Group has provided loans and extended credit to Landcatch Natural Selection Limited. These loans and extended credit arrangements have a deferment in terms of both capital and interest repayment.

During 2010 the parent company continued to provide management services to Achadonn Properties Limited, a subsidiary company of its joint venture, Achadonn Limited. An interest bearing loan balance due from Achadonn Properties Limited remains outstanding at the year end.

23. Related parties
(continued)

Details of the values of these services supplied during the financial years to December 31, 2010 and December 31, 2009 are shown below:-

	2010 £'000	2009 £'000
Provision of services to Landcatch Natural Selection Limited	1,338	1,919
Interest arising on loan to Landcatch Natural Selection Limited	-	276
Provision of electrical contracting services to Ormsary Farmers	35	41
Provision of electrical contracting services to Inver Farmers	2	12
Provision of electrical contracting services to Inver Hydro LLP	2	-
Provision of services to Achadonn Properties Limited	40	40
Interest arising on loan to Achadonn Properties Limited	51	47
Provision of services by Ormsary Farmers to rear fish stocks	607	1,175
Provision of services by Inver Farmers to rear fish stocks	56	51
Supply of salmon ova and parr by Landcatch Natural Selection Limited	189	206

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

	2010 £'000	2009 £'000
Loan balances due by Landcatch Natural Selection Limited	-	645
Accrued interest due by Landcatch Natural Selection Limited	-	249
Loan balance due by Achadonn Properties Limited	2,372	1,858
Due by Achadonn Properties Limited	16	104
Due by Ormsary Farmers	14	604
Due by Inver Farmers	-	153
Due by Landcatch Natural Selection Limited	1,243	4,383
Due by Inver Hydro LLP	2	-
Due to Ormsary Farmers	86	-
Due to Inver Farmers	3	-

24. Capital commitments

	Company		Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Contracted for but not provided in these financial statements	-	-	-	-

25. Contingent liabilities

There were no contingent liabilities at either December 31, 2010 or December 31, 2009.

26. Guarantees and financial commitments

The company has overdraft and bank loan facility arrangements which are secured by a bond and floating charge over the assets of the company and a guarantee provided by the shareholders. At December 31, 2010 there were borrowings of £1,000,000 (2009 - £3,441,000) in respect of these facilities.

The parent company has also provided guarantees to joint venture partners and subsidiary companies in respect of loans advanced. As at December 31, 2010 the amount covered by these guarantees totalled £22,000 (2009 - £656,000). In addition, the parent company has provided a guarantee in favour of the Trustees of The Lithgows Pension Scheme for £1,000,000 (2009 - £1,000,000).

Bank facilities have been provided to certain subsidiary companies which are secured by the provision of a bond and floating charge over the assets of the specific subsidiary company. As at December 31, 2010 the amount covered by these charges totalled £409,000 (2009 - £395,000).

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

27. Pension commitments

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

The Group also operates a defined benefit scheme, The Lithgows Limited Pension Scheme. The assets of the scheme are held separately from those of the Group, being managed by independent fund managers. Cost and liabilities are based on actuarial valuations. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of regular valuations, the most recent of which was at April 5, 2009, and updated to December 31, 2010. The amount disclosed as the pension liability within the Group balance sheet excludes the liability which ultimately rests in relation to non-Group members.

Change in benefit obligations

	2010 £'000	2009 £'000
As at January 1	25,301	22,099
Current service cost	70	62
Interest cost	1,438	1,450
Scheme participants' contributions	134	138
Actuarial losses	3,291	2,526
Benefits paid	(1,086)	(974)
As at December 31	29,148	25,031

Change in scheme assets

	2010 £'000	2009 £'000
Fair value of scheme assets at beginning of year	18,770	16,399
Expected return on scheme assets	1,150	939
Actuarial gains	1,004	1,867
Employer contribution	393	401
Member contributions	134	138
Benefits paid	(1,086)	(974)
Fair value of scheme assets at end of year	20,365	18,770
Net fund deficit	(8,783)	(6,531)
Curtailment in liability – note 9	1,233	-
Net fund deficit in respect of Group	(7,550)	(6,531)

27. Pension commitments
(continued)

Components of pension cost

	2010 £'000	2009 £'000
Current service cost	70	62
Interest cost	1,438	1,450
Expected return on scheme assets	(1,150)	(939)
Total pension cost recognised in profit and loss account	358	573
Actuarial losses recognised	2,287	659
Total pension cost recognised in the STRGL	2,287	659
Cumulative amount of actuarial losses recognised	5,312	3,025

Scheme assets

The weighted-average asset allocations were as follows:

	2010	2009
Equities	67%	68%
Bonds/cash	26%	27%
Real estate	7%	5%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 6.0% assumption for the year ended December 31, 2010.

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27. Pension commitments
(continued)

Weighted average assumptions used to determine benefit obligations

	2010	2009
Discount rate	5.4%	5.8%
Rate of salary increase	3.4%	3.2%
Rate of pension increases (future service)	2.3%	2.3%
Inflation	3.4%	3.2%

Weighted average assumptions used to determine net pension cost

	2010	2009
Discount rate	5.8%	6.7%
Expected long-term return on scheme assets	6.2%	5.8%
Rate of salary increase	3.2%	3.5%
Rate of pension increase (future service)	2.3%	2.5%
Inflation	3.2%	3.0%

Weighted average life expectancy for mortality tables used to determine benefit obligations

	2010	2009
Member age 65 (current life expectancy)	20	19
Member age 45 (life expectancy at age 65)	22	20

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27. Pension commitments
(continued)

Five year history

Financial year to	Dec 31 2010 £'000	Dec 31 2009 £'000	Dec 31 2008 £'000	Dec 31 2007 £'000	Dec 31 2006 £'000
Benefit obligation at end of year	29,148	25,301	22,099	26,171	26,748
Fair value of scheme assets at and of year	20,365	18,770	18,399	20,904	20,907
Deficit	(8,783)	(6,531)	(5,700)	(5,267)	(5,841)

Difference between actual and expected return on scheme assets

Amount (£'000)	1,004	1,867	(6,610)	(995)	297
Percentage of scheme assets	5%	10%	-40%	-5%	1%

Experience gains and (losses) on scheme liabilities

Amount (£'000)	(499)	(29)	(11)	235	342
Percentage of scheme liabilities	(2%)	0%	0%	1%	1%