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Lithgows Limited

Report and Financial Statements 2008

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT

Since I last reported, the operations within the Group have had to contend with a number of difficulties specific to their industries, as well as having to deal with the implications of the worldwide economic crisis. Despite the consequences arising from these matters, we are able to report a profit on ordinary activities after taxation of £245,000, and a reduction in net debt of £5,907,000.

The companies within our aquaculture operations have been severely impacted by ongoing disease problems affecting our markets in both the Northern and Southern Hemispheres. The announcement of further isolates of ISA in Shetland in January 2009 resulted in our inability to place all of our smolts scheduled for delivery in Spring 2009. As a consequence, stocks had to be culled thereby reducing the value that could be realised from this crop. The financial implications of this have been reflected in the 2008 Financial Statements.

Ongoing issues continue to be experienced within the Chilean industry in general, resulting in increased difficulties being encountered in the exporting of product, as well as continuing problems being experienced by companies operating in Chile. As a consequence, the Group took the strategic decision to exit from direct involvement in Chile, and I am pleased to advise that the disposal of the investment in Landcatch Chile SA, at full value to a privately owned Chilean company, was completed in October 2009.

The consolidation of our interests under the Prosper Group banner has continued. In May 2008, the business and assets of Prosper Engineering were merged into the operations of Prosper Distribution Limited, a company in which the Group holds a 50% joint venture interest. In addition, in August 2008, KHC Development Sprl, a privately owned Belgian company, invested into the Chinese operations controlled via Prosper Group Hong Kong Limited, becoming an owner of 33% of the share capital of the intermediate holding company. The merged business of Prosper Distribution continues to trade strongly, and with the further consolidation that has taken place, we are in a stronger position to capitalise further in the future.

A new management team has been recruited at Buckie Shipyard, and they have been successful in attracting new sources of commercial work to the company. We require to build on these successes in order to attain sufficient levels of direct hours activity on a sustained basis.

McKinlay & Blair, our small electrical contracting business, continues to provide valuable support to the Group operations, and has reported a strong financial performance in 2008. Activities at Barcaldine under The Marine Resource Centre continue to expand, with improved levels of profitability resulting, as well as generating strong cash flow from the hydro scheme operations of MRC Energy.

LITHGOWS LIMITED

CHAIRMAN'S STATEMENT
(continued)

In July 2008, the business and assets of Lithgows Pty were sold, with the Australian company being liquidated thereafter. This realised a sum of slightly less than £8m, which given the onset of the financial crisis, was a satisfactory outcome. However, it was around £4m less than the revalued amount incorporated in the 2007 Financial Statements, and therefore an impairment charge of this amount has been reflected in the 2008 results. The minority investment in Hunterston Development Company was sold in April 2008 at the figure incorporated as valuation in the 2007 Financial Statements.

We continue to actively manage the remaining property assets for long term capital growth, and we have recently obtained outline planning for residential purposes on a number of the sites owned. However, given the wider national economic conditions, it has been necessary to reconsider the current carrying value of our investment in our property joint venture, and this has resulted in an impairment charge of £900,000 being reflected within the attached Financial Statements.

I am confident that through the measures that have continued in the period since my last report, the company will realise further value from the assets that it holds in the short to medium term.

James F. Lithgow

JAMES F. LITHGOW
Chairman

December 22, 2009

LITHGOWS LIMITED

Directors

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

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

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

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

Mr. S.L. Rickman*⁺

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

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

Registered Office

Netherton
Langbank
Renfrewshire
PA14 6YG

LITHGOWS LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended December 31, 2008.

Results and dividends

The Group trading profit for the year before taxation amounted to £76,568.

Dividends of £24,538 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 27. Lithgows Limited is the holding company for the Group. Comments on the results for the year and on future developments are contained in the Chairman's statement on pages 1 and 2.

Directors and their interests

The directors as at December 31, 2008 are stated on page 3.

Mr. F.G. Hogg and The Rt. Hon. Lord Lang of Monkton resigned from the board on December 8, 2008.

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

The following directors had the undernoted interests in the ordinary and preference share capital of Lithgows Limited at December 31, 2008 and at December 31, 2007, or date of appointment, if later.

	Ordinary shares		7.5% Preference shares	
	Beneficial interest		Beneficial interest	
	2008	2007	2008	2007
J.F. Lithgow	2,469	2,469	506,000	506,000
J.A. Lithgow	1,440	1,440	108,000	108,000

No other director at December 31, 2008 had any interest in the share capital of the company or in any subsidiary during the year.

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Directors' responsibilities for the financial statements

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

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

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

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

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

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

Financial risk management objectives and policies

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

LITHGOWS LIMITED

DIRECTORS' REPORT
(continued)

Financial risk management objectives and policies
(continued)

Credit Risk

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

Liquidity risk

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

The Group has recently prepared trading projections for the three year period through to December 2012. 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

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

ON BEHALF OF THE BOARD

A. R. Reid

A.R. REID
Director & Company Secretary

December 22, 2009

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LITHGOWS LIMITED

We have audited the group and parent company financial statements of Lithgows Limited for the year ended December 31, 2008 which comprise the principal accounting policies, the Group profit and loss account, the Group and company balance sheets, the Group cash flow statement, Group statement of total recognised gains and losses, statement of Group retained reserves and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the parent company and the Group at December 31, 2008 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and that the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
Registered Auditors
Chartered Accountants
Glasgow

December 22, 2009

LITHGOWS LIMITED

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	2008 £'000	2008 £'000	2007 £'000
TURNOVER				
Group and share of joint ventures' turnover			23,336	25,422
Less: share of joint ventures' turnover			(10,034)	(6,492)
GROUP TURNOVER	1			
Continuing operations		10,077		9,864
Discontinued operations		3,225		9,066
			13,302	18,930
OPERATING (LOSS)/PROFIT	2			
Continuing operations			(163)	804
Discontinued operations			(435)	(667)
			(598)	137
Gain on disposal of discontinued operations	3		118	-
			(480)	137
Share of operating profit of joint ventures	9		698	316
			218	453
Net interest	5		18	(231)
Other finance costs	27		(159)	(61)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			77	161
Taxation	6		168	(126)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			245	35

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, 2008

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008 £'000	2007 £'000
Profit for the year	245	35
Exchange differences	1,724	617
Goodwill arising from new investments into joint ventures	96	-
Unrealised gain on investments	-	5,545
Unrealised surplus on revaluation of land	-	7,482
Impairment to revaluation of land	(4,221)	-
Impairment to revaluation of investment in joint venture	(900)	-
Actuarial (loss)/gain arising in pension scheme	(1,664)	576
Total recognised gains and losses for the year	(4,720)	14,255

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008 £'000	2007 £'000
Reported profit on ordinary activities before taxation	77	161
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	5	8
Realisation of revaluation reserve arising on the sale of tangible fixed assets	7,207	-
Realisation of revaluation reserve arising on the sale of investments	545	-
Realisation of revaluation reserve within joint venture	600	-
Historical cost profit on ordinary activities before taxation	8,434	169
Historical cost profit retained	8,602	43

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

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

	Profit and loss account £'000	Revaluation surplus £'000	Capital redemption reserves £'000	Total reserves £'000	Called-up share capital £'000	Total share-holders' funds £'000
At January 1, 2007	(1,972)	2,964	325	1,317	1,354	2,671
Movements in 2007						
Exchange differences						
- joint venture	251	-	-	251	-	251
- other	89	277	-	366	-	366
Surplus on revaluation of fixed assets	-	7,482	-	7,482	-	7,482
Surplus on revaluation of investments	-	5,545	-	5,545	-	5,545
Actuarial gain (note 27)	576	-	-	576	-	576
Dividends paid (note 7)	(3)	-	-	(3)	-	(3)
Profit for the year	35	-	-	35	-	35
At December 31, 2007	(1,024)	16,268	325	15,569	1,354	16,923
Movements in 2008:						
Exchange differences						
- joint venture	486	-	-	486	-	486
- other	63	1,175	-	1,238	-	1,238
Goodwill arising within joint ventures	96	-	-	96	-	96
Impairment on revaluation of fixed assets	-	(4,221)	-	(4,221)	-	(4,221)
Impairment on investments	-	(900)	-	(900)	-	(900)
Realisation of revaluation reserve on disposal of investments	1,145	(1,145)	-	-	-	-
Realisation within investment in joint venture	600	(600)	-	-	-	-
Realisation of revaluation reserve on disposal of fixed assets	7,207	(7,207)	-	-	-	-
Actuarial loss (note 27)	(1,664)	-	-	(1,664)	-	(1,664)
Dividends paid (note 7)	(24)	-	-	(24)	-	(24)
Profit for the year	245	-	-	245	-	245
At December 31, 2008	7,130	3,370	325	10,825	1,354	12,179

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

LITHGOWS LIMITED
GROUP BALANCE SHEET AT DECEMBER 31, 2008

	Notes	£'000	2008 £'000	2007 £'000
Fixed assets:				
Tangible assets	8	3,379		14,216
Investments:				
Joint ventures	9b	7,516		7,268
Unlisted investments	9c	22		597
			10,917	22,081
Current assets:				
Stocks and work-in-progress	10	892		4,385
Debtors: amounts falling due within one year	11	4,146		6,569
Debtors: amounts falling due after more than one year	11	6,160		2,179
Cash at bank and in hand		857		245
		12,055		13,378
Creditors: amounts falling due within one year	12	(4,292)		(12,121)
Net current assets			7,763	1,257
Total assets less current liabilities			18,680	23,338
Creditors: amounts falling due after more than one year	13		(548)	(879)
Accruals and deferred income:				
Deferred grants	17		(253)	(269)
Net assets excluding pension liability			17,879	22,190
Pension liability	27		(5,700)	(5,267)
Net assets including pension liability			12,179	16,923
Capital and reserves:				
Called up share capital	18		1,354	1,354
Reserves			10,825	15,569
Total shareholders' funds			12,179	16,923

The financial statements were approved by the directors on December 22, 2009.

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

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

Company Registration Number : SC010170

LITHGOWS LIMITED
COMPANY BALANCE SHEET AT DECEMBER 31, 2008

	Notes	£'000	2008 £'000	2007 £'000
Fixed assets:				
Tangible assets	8	59		60
Investments:				
Subsidiary undertakings	9a	13,277		11,453
Joint venture	9b	4,248		4,830
Unlisted investments	9c	20		595
			17,604	16,938
Current assets:				
Debtors: amounts falling due within one year	11	281		1,085
Debtors: amounts falling due after more than one year	11	1,807		1,078
Cash at bank and in hand		619		6
		2,707		2,169
Creditors: amounts falling due within one year	12	(2,536)		(6,746)
Net current assets/(liabilities)			171	(4,577)
Total assets less current liabilities			17,775	12,361
Creditors: amounts falling due after more than one year	13		(394)	(595)
			17,381	11,766
Capital and reserves:				
Called up share capital	18		1,354	1,354
Reserves	19		16,027	10,412
Total shareholders' funds			17,381	11,766

The financial statements were approved by the directors on December 22, 2009.

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

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, 2008

	Notes	2008 £'000	2007 £'000
Net cash outflow from operating activities	20	(3,581)	(4,115)
Returns on investments and servicing of finance			
Interest received		438	269
Interest paid		(347)	(312)
Finance lease interest paid		(9)	(8)
Loan interest paid		(64)	(180)
Dividends paid		(24)	(3)
Net cash outflow from returns on investment and servicing of finance		(6)	(234)
Capital expenditure and financial investment			
Purchase of fixed assets		(618)	(301)
Sale of fixed assets		19	20
Disposal of investments		575	-
Disposal of businesses	3	9,520	-
Receipt of grant	17	30	8
Net cash inflow/(outflow) from capital expenditure and financial investment		9,526	(273)
Financing			
Repayment of borrowings	21	(266)	(2,025)
Capital element of finance lease rentals	21	(136)	(35)
Net cash outflow from financing		(402)	(2,060)
Increase/(decrease) in cash	22	5,537	(6,682)

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

LITHGOWS LIMITED

ACCOUNTING POLICIES

Basis of accounting

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

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

Basis of consolidation

The Group financial statements incorporate the results for the year, the state of affairs and the cash flow of the company and all its subsidiary undertakings. No profit and loss account is presented for the parent company, Lithgows Limited, as provided by S.230 of the Companies Act 1985. The profit of the parent company for the year to December 31, 2008 was £6,539,000 (2007 – profit of £751,000).

Investments in subsidiary undertakings

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

Investments in joint ventures

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

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

ACCOUNTING POLICIES
(continued)

Investment in unlisted investments

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

Depreciation

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

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

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

Stocks and work-in-progress

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

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

Long-term contracts

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

LITHGOWS LIMITED

ACCOUNTING POLICIES
(continued)

Deferred taxation

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

Grants

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

Financial instruments

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

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

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

Foreign currencies

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

LITHGOWS LIMITED

ACCOUNTING POLICIES
(continued)

Leasing and hire purchase commitments

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

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

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

Retirement benefits

Defined contribution pension scheme

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

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

Defined benefit pension scheme

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

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

Research and development

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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

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:-

	2008	2007
	£'000	£'000
Marine	2,763	3,038
Engineering and electrical - ongoing	237	134
Engineering and electrical – Prosper Engineering, discontinued per note 3	2,599	8,895
Aquaculture	6,611	6,405
Hydro generation	215	161
Others - ongoing	251	126
Others – Lithgows Pty, discontinued per note 3	626	171
	13,302	18,930
Share of joint ventures' turnover		
Aquaculture	1,995	1,384
Engineering and electrical	6,637	5,080
Property development	1,402	28
	23,336	25,422

Analysis of turnover by geographical area:

	2008	2007
	£'000	£'000
U.K.	11,996	16,445
E.U.	309	1,077
Other Europe	290	641
Asia and Australasia	707	716
Americas	-	4
Africa	-	11
Caribbean	-	36
	13,302	18,930
Share of joint ventures' turnover		
Americas	2,351	1,605
U.K.	5,262	2,735
Europe	1,888	1,400
Middle East	108	394
Africa	38	76
Asia and Australasia	387	-
Others	-	282
	23,336	25,422

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

2. Operating profit/(loss)

(a) Operating profit/(loss) comprises:

	2008	2008	2008	2007	2007	2007
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	10,077	3,225	13,302	9,864	9,066	18,930
Cost of sales	8,203	2,930	11,133	7,213	7,826	15,039
Gross profit	1,874	295	2,169	2,651	1,240	3,891
Distribution costs	453	63	516	220	245	465
Administration costs	1,640	631	2,271	1,672	1,656	3,328
Other operating income	(56)	36	(20)	(45)	6	(39)
Operating (loss)/profit	(163)	(435)	(598)	804	(667)	137

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

	2008 £'000	2007 £'000
Items charged:		
Fees payable to group auditors for audit of group financial statements	30	19
Fees payable to group auditors for audit of subsidiary companies	37	41
Fees payable to group auditors for non-audit services	1	-
Depreciation of owned assets	293	372
Depreciation of assets held under finance leases and hire purchase contracts	42	35
Hire of plant	54	157
Operating lease rentals – plant and machinery	41	74
Operating lease rentals – land and buildings	247	387
Loss on disposal of fixed assets	35	15
Items credited:		
Net rental income	9	14
Release from deferred grants	46	40

c) Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	407	444

During the year, 5 directors (2007 – 5 directors) participated in defined benefit pension schemes.

The emoluments of the highest paid director were £135,637 (2007 - £148,346). The highest paid director's accrued pension at the year end was £87,971 (2007 - £82,494).

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

3. Disposals of discontinued operations

In May 2008, the group disposed of the business and assets of Prosper Engineering Limited to Prosper Distribution Limited, a company in which the group holds a joint venture interest. Group profits for 2008 are after the inclusion of £419,000 of losses incurred by Prosper Engineering Limited in the period prior to the disposal.

Net assets disposed of were:

	£'000
Tangible fixed assets	171
Deferred tax asset	300
Stock	2,342
Prepayments	99
Accruals	(17)
	2,895
Uplift on sale of assets	385
Settlement	3,280

The transaction was settled by an initial cash payment of £523,000, with the balance of £2,757,000 being funded by way of loan account. Of this balance, £1,000,000 was settled between May 2008 and December 31, 2008.

An impairment charge of £321,000 has been processed against the collectability of the remaining outstanding balance. £64,000, being the net of the uplift on the sale of the assets and this impairment charge, has been included within exceptional income for the year.

The trade sold during the year was responsible for an outflow of £462,000 of the group's net cash inflow from operating activities, was responsible for an outflow of £24,000 from the servicing of finance and utilised £5,000 for investing activities.

In July 2008, the business and assets of Lithgows Pty Limited were sold. The subsidiary company was then put into voluntary liquidation, and a capital distribution was paid to the parent company.

Group profits for 2008 are after the inclusion of £34,000 of losses incurred by Lithgows Pty Limited in the period up to the disposal.

Net assets disposed of were:

	£'000
Tangible fixed assets	7,943
Uplift on sale of assets	54
Settlement	7,997

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

3. Disposals of discontinued operations
(continued)

The full value of the settlement in cash was received on disposal, and the uplift arising on the sale of the assets is included within exceptional income reported for the year.

The trade sold during the year was responsible for an inflow of £224,000 of the group's net cash outflow from operating activities, generated £14,000 from the return on investment and servicing of finance, utilised £57,000 in investing activities and was responsible for the outflow of £115,000 from financing.

4. Staff costs

	2008 £'000	2007 £'000
Wages and salaries	3,121	4,300
Social security costs	276	374
Other pensions costs	98	270
	3,495	4,944

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

	2008 No.	2007 No.
Marine	59	69
Engineering and electrical	68	82
Aquaculture	14	17
Others	19	20
	160	188

5. Net interest

	2008 £'000	2007 £'000
Bank loans and overdrafts	(392)	(456)
Finance charges payable under finance leases and hire purchase contracts	(9)	(8)
Other interest payable	(19)	(36)
	(420)	(500)
Bank deposit interest received	38	23
Loan interest receivable	150	158
Other interest receivable	250	88
	18	(231)

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

6. Taxation

	2008 £'000	2007 £'000
The taxation charge for the year represents:		
Deferred tax	(300)	-
Share of tax charge on joint ventures' profits	132	126
	(168)	126

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

7. Dividends

	2008 £'000	2007 £'000
Preferred ordinary dividend – interim dividend of £41.69 (2007 - £5.25) per share	24	3
Ordinary dividend – £nil (2007 - £nil) per share	-	-
Preferred ordinary dividend – £nil (2007 - £nil) per share	-	-
	24	3

8. Tangible fixed assets

Company	Freehold property £'000	Machinery, plant, vehicles and fittings £'000	Total £'000
Cost or valuation:			
At January 1, 2008 and at December 31, 2008	331	162	493
Depreciation			
At January 1, 2008	271	162	433
Charge for the year	1	-	1
At December 31, 2008	272	162	434
Net book value:			
At January 1, 2008	60	-	60
At December 31, 2008	59	-	59

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

8. Tangible fixed assets *(continued)*

	Freehold property £'000	Farm land £'000	Surplus land £'000	Leasehold property £'000	Machinery plant vehicles and fittings £'000	Total £'000
Group						
Cost or valuation:						
At January 1, 2008	1,804	10,700	500	573	12,250	25,827
Additions	-	3	-	15	620	638
Disposals	-	(7,708)	-	(183)	(4,660)	(12,551)
Impairment	-	(4,221)	-	-	(4,221)	(4,221)
Exchange difference	-	1,226	-	-	53	1,279
At December 31, 2008	1,804	-	500	405	8,263	10,972
Depreciation:						
At January 1, 2008	964	-	-	339	10,308	11,611
Charge for the year	32	3	-	23	277	335
Disposals	-	(3)	-	(116)	(4,264)	(4,383)
Exchange difference	-	-	-	-	30	30
At December 31, 2008	996	-	-	246	6,351	7,593
Net book value:						
At January 1, 2008	840	10,700	500	234	1,942	14,216
At December 31, 2008	808	-	500	159	1,912	3,379
Cost or valuation at December 31, 2008, comprises:						
Cost	1,512	-	-	405	8,263	10,180
Valuation in 1984	112	-	-	-	-	112
Valuation in 1999	180	-	-	-	-	180
Valuation in 2007	-	-	*500*	-	-	500
	1,804	-	500	405	8,263	10,972

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

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

8. Tangible fixed assets
(continued)

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

	Farm land £'000	Surplus land £'000	Freehold property £'000	Total £'000
Historical cost:				
At January 1, 2008	487	30	151	668
Disposal	(487)	-	-	(487)
At December 31, 2008	-	30	151	181
Depreciation based on cost:				
At January 1, 2008	74	-	24	98
Disposal	(74)	-	-	(74)
At December 31, 2008	-	-	24	24
Net historical cost value:				
At January 1, 2008	413	30	127	570
At December 31, 2008	-	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, 2008	-	185
At December 31, 2008	-	61

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

9. Investments

(a) Subsidiary undertakings:	2008 £'000	2007 £'000
Company		
Investment in subsidiary undertakings comprises:		
Cost	11,046	12,068
Amounts written off	(1,181)	(1,181)
Amounts due by subsidiaries, less provisions	6,429	3,535
Amounts due to subsidiaries	(3,017)	(2,969)
Net book value	13,277	11,453

At December 31, 2008, the company had beneficial interests directly or indirectly (*) in the ordinary share capital of the undemoted principal operating subsidiary undertakings. All are registered in Scotland unless otherwise stated and all are 100% owned.

Nature of Business	Company
Marine:	Buckie Shipyard Limited 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*
Finance:	Inver Salmon Limited Lithgow Factoring Limited

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

9. Investments
(continued)

(b) Interest in joint ventures

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

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
At January 1, 2008	4,830	48	2,390	7,268
Share of profit retained by joint ventures	318	246	2	566
Exchange differences	-	71	415	486
Share of goodwill	-	96	-	96
Impairment	(900)	-	-	(900)
At December 31, 2008	**4,248**	**461**	**2,807**	**7,516**

The Group's share in its joint ventures as at December 31, 2008 comprises:

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
Fixed assets	-	368	1,840	2,208
Current assets	10,374	4,041	2,396	16,811
Gross assets	10,374	4,409	4,236	19,019
Liabilities due within one year	4,122	3,688	1,102	8,912
Liabilities due after more than one year	2,004	260	327	2,591
Gross liabilities	6,126	3,948	1,429	11,503
Net assets	**4,248**	**461**	**2,807**	**7,516**
Turnover	**1,402**	**6,637**	**1,995**	**10,034**
Profit before taxation	**318**	**354**	**26**	**698**
Taxation	-	(108)	(24)	(132)
Profit after taxation	**318**	**246**	**2**	**566**

In October 2009, the Group disposed of its investment in Landcatch Chile SA at a value, based on current exchange rates, in line with its carrying value.

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

9. Investments
(continued)

(b) Interest in joint ventures (continued)

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

	Company Property Development £'000	Engineering £'000	Fish Farming £'000	Group £'000
Fixed assets	-	103	2,007	2,110
Current assets	10,782	2,090	1,953	14,825
Gross assets	10,782	2,193	3,960	16,935
Liabilities due within one year	4,905	1,883	1,307	8,095
Liabilities due after more than one year	1,047	262	263	1,572
Gross liabilities	5,952	2,145	1,570	9,667
Net assets/(liabilities)	**4,830**	**48**	**2,390**	**7,268**
Turnover	**28**	**5,080**	**1,384**	**6,492**
(Loss)/profit before taxation	**(171)**	**426**	**61**	**316**
Taxation	(1)	(115)	(10)	(126)
(Loss)/profit after taxation	**(172)**	**311**	**51**	**190**

(c) Unlisted investments

Unlisted investments comprise:	Company £'000	Group £'000
Cost:		
At January 1, 2008	639	738
Disposals	(575)	(575)
At December 31, 2008	64	163
Amounts written off:		
At January 1, 2008 and December 31, 2008	44	141
Net book value:		
At January 1, 2008	595	597
At December 31, 2008	20	22

10. Stocks and work-in-progress

	Group	
	2008	2007
	£'000	£'000
Raw material and consumables	102	1,805
Work-in-progress	31	83
Finished goods and goods for resale	-	727
Livestock	759	1,770
	892	4,385

11. Debtors

	Company		Group	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	67	18	2,926	3,789
Amounts due from joint ventures	-	-	-	809
Other debtors	43	949	935	1,535
Prepayments and accrued income	151	98	265	416
Corporation tax	20	20	20	20
	281	1,085	4,146	6,569
Amounts falling due after more than one year:				
Trade debtors	-	-	2,000	-
Amounts due from joint ventures	1,807	1,078	3,317	1,388
Other debtors	-	-	843	791
	1,807	1,078	6,160	2,179

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

12. Creditors: amounts falling due within one year

	Company		Group	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank facilities	1,936	6,031	2,216	7,141
Current instalments due on loans (note 14)	201	188	254	269
Obligations under finance lease and hire purchase contracts (note 15)	-	-	23	47
Trade creditors	11	19	691	2,591
Amounts due to joint ventures	-	-	15	87
Other taxes and social security costs	21	20	69	113
Other creditors	116	265	321	1,085
Pension contributions	44	35	44	35
Accruals	207	188	659	753
	2,536	6,746	4,292	12,121

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

	Company		Group	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loans (note 14)	394	595	514	765
Obligations under finance leases and hire purchase contracts (note 15)	-	-	34	114
	394	595	548	879

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

14. Loans

	Company		Group	
	2008	2007	2008	2007
Loans are repayable as follows:	£'000	£'000	£'000	£'000
Not wholly repayable within five years	-	-	-	46
Wholly repayable within five years	595	783	768	988
	595	783	768	1,034
Instalments due:				
After five years	-	-	-	7
Between two and five years	180	394	246	504
Between one and two years	214	201	268	254
	394	595	514	765
Within one year (note 12)	201	188	254	269
	595	783	768	1,034

Details of loans not wholly repayable within five years are as follows:-

	2008	2007
Loan repayable in monthly instalments of £871, commencing April 2004, secured by a second ranking floating charge over the whole of the assets of the subsidiary company to whom the loan has been provided. Interest is charged at the rate of 7.5% per annum	-	46

Details of loans wholly repayable within five years as follows:

	2008	2007
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	39	-
Loan repayable in monthly instalments of £4,762 commencing June 2001, secured by a floating charge over the whole assets of the recipient subsidiary. Interest is 1.75% above the bank's base rate	-	29
Loan repayable in 60 monthly instalments commencing October 2006, secured by a bond and floating charge over the assets of the parent company, and guarantees totalling £967,000 from subsidiary companies. Interest is charged at 1.5% above the bank's base rate.	595	783
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.	134	176
	768	1,034

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

14. Loans (continued)	2008 £'000	2007 £'000
Analysis of changes in loan financing:		
At January 1	1,034	3,059
Inception of new loans	-	-
Capital element of repayments	(266)	(2,025)
At December 31	768	1,034

15. Obligations under leases and hire purchase contracts

	Group 2008 £'000	2007 £'000
Amounts due within one year	29	55
Amounts due within two to five years	34	127
	63	182
Less finance charges allocated to future periods	(6)	(21)
	57	161
The above shown as:		
Current obligations (note 12)	23	47
Non-current obligations (note 13)	34	114
	57	161

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

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

	Group	
	2008	2007
	£'000	£'000
Analysis of changes:		
At January 1	161	90
Exchange	12	6
New contracts	20	100
Capital element of repayments	(136)	(35)
At December 31	57	161

Annual commitments under non cancellable operating leases:

	Land and buildings		Other	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	1	1	9	34
Within the second to fifth years inclusive	15	-	31	62
Over five years	159	390	-	-
	175	391	40	96

16. Deferred taxation

There is no deferred taxation liability as at December 31, 2008 or December 31, 2007.

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	
	2008	2007
	£'000	£'000
At January 1	269	301
Received in year	30	8
Released in year	(46)	(40)
At December 31	253	269

18. Share capital

	2008	2007
	£'000	£'000
Authorised:		
Equity interests		
9,346 ordinary shares of £100 each (2007:9,346)	935	935
654 preferred ordinary shares of £100 each (2007:654)	65	65
1,000,000 7.5% preference shares of £1 each (2007:1,000,000)	1,000	1,000
	2,000	2,000
Allotted, issued and fully paid:		
Equity interests		
6,390 ordinary shares of £100 each (2007:6,390)	639	639
654 preferred ordinary shares of £100 each (2007:654)	65	65
650,000 7.5% preference shares of £1 each (2007: 650,000)	650	650
	1,354	1,354

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

The preference shares are non-voting and non-convertible and have no rights to share in dividends other than the fixed 7.5% dividend which is non-cumulative and is payable at the discretion of the directors. As at December 31, 2008, the holders of the preference shares have put aside their option to redeem all or any of the fully paid up preference shares. In the event of a winding up, the holders of the preference shares shall rank ahead of the holders of the ordinary shares and the preferred ordinary shares, but only to the extent of being repaid at par.

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

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total reserves £'000	Called up share capital £'000	Total £'000
At January 1, 2008	5,545	325	4,542	10,412	1,354	11,766
Profit for year	-	-	6,539	6,539	-	6,539
Realisation of revaluation reserve	(1,145)	-	1,145	-	-	-
Impairment of joint venture	(900)	-	-	(900)	-	(900)
Dividends	-	-	(24)	(24)	-	(24)
At December 31, 2008	3,500	325	12,202	16,027	1,354	17,381

20. Net cash outflow from operating activities

	2008 £'000	2007 £'000
Operating (loss)/profit	(163)	804
(Gain)/loss on disposal of fixed assets	(4)	3
Depreciation	268	277
Decrease/(increase) in stocks	888	(301)
Increase in debtors	(4,106)	(3,332)
Decrease in creditors	(183)	(14)
Release from deferred grants	(46)	(40)
Exchange rate movement	3	7
Net cash outflow from continuing operating activities	(3,343)	(2,596)
Net cash outflow in respect of discontinued activities	(238)	(1,519)
Net cash outflow from operating activities	(3,581)	(4,115)

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

	2008 £'000	2007 £'000
Increase/(decrease) in cash in the year (note 22)	5,534	(6,689)
Net cash outflow/(inflow) from loans	266	2,025
Cash outflow from finance leases	136	35
Change in net debt resulting from cash flows	5,936	(4,629)
Inception of finance leases	(20)	(100)
Exchange difference	(9)	1
Movement in net debt in the year	5,907	(4,728)
Net debt at January 1	(8,091)	(3,363)
Net debt at December 31	(2,184)	(8,091)

22. Analysis of change in net debt

	At Jan 1 2008 £'000	Cash flow £'000	Non cash items £'000	Exchange difference £'000	At Dec 31 2008 £'000
Cash in hand and at bank	245	609	-	3	857
Bank facilities	(7,141)	4,925	-	-	(2,216)
	(6,896)	5,534	-	3	(1,359)
Debt (note 14)	(1,034)	266	-	-	(768)
Finance leases (note 15)	(161)	136	(20)	(12)	(57)
	(8,091)	5,936	(20)	(9)	(2,184)

23. Related parties

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

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

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

During 2008 the parent company continued to provide management services to Achadonn Properties Limited, a subsidiary company of its joint venture, Achadonn Limited. An interest bearing loan balance due from Achadonn Properties Limited remains outstanding at the year end.

Through Prosper Group Limited, interests are held in two joint venture companies, Prosper Distribution Limited and Prosper Group Hong Kong Limited. On the formation of Prosper Distribution Limited, a loan was provided by Prosper Group Limited and in addition to the sale and purchase of some product in the course of the year, there have been recharges of management costs from the Prosper Group to Prosper Distribution Limited. In addition, an element of the consideration arising on the sale of the business of Prosper Engineering remains outstanding on loan account as at December 31, 2008.

The separate joint venture in Prosper Group Hong Kong Limited was established to invest in an overseas subsidiary in China, Prosper Trading (Shanghai) Limited. The Prosper Group of companies have provided a loan to the Prosper Group Hong Kong companies, and have received some services from China in the course of 2007 and 2008. Management services were provided to the Prosper Group Hong Kong companies in 2008.

23. Related parties
(continued)

Details of the values of these services supplied during the financial years to December 31, 2008 and December 31, 2007 are shown below:-

	2008 £'000	2007 £'000
Provision of services to Landcatch Natural Selection Limited	2,305	2,147
Interest arising on loan to Landcatch Natural Selection Limited	308	160
Provision of electrical contracting services to Ormsary Farmers	92	46
Provision of electrical contracting services to Inver Farmers	1	6
Provision of services to Achadonn Properties Limited	40	50
Interest arising on loan to Achadonn Properties Limited	83	66
Supply of material product to Prosper Distribution Limited	1,051	4,195
Provision of services to Prosper Distribution Limited	182	375
Provision of services to Prosper Group Hong Kong Limited, and subsidiary company	30	-
Interest arising on loan to Prosper Group Hong Kong Limited	8	-
Provision of services by Ormsary Farmers to rear fish stocks	1,162	535
Provision of services by Inver Farmers to rear fish stocks	216	49
Supply of salmon ova and parr by Landcatch Natural Selection Limited	428	395
Provision of veterinary services by Landcatch Natural Selection Limited	-	10
Supply of material product by Prosper Distribution Limited	88	306
Supply of material product by Prosper Bolts Engineering (Shanghai) Limited	12	116
Provision of services by Prosper Distribution Limited	19	-

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

23. Related parties
(continued)

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

	2008 £'000	2007 £'000
Loan balances due by Landcatch Natural Selection Limited	645	1,545
Accrued interest due by Landcatch Natural Selection Limited	198	146
Loan balance due by Achadonn Properties Limited	1,515	1,078
Due by Achadonn Properties Limited	46	-
Loan balance due by Prosper Distribution Limited	1,241	50
Loan balance due by Prosper Distribution Limited	245	-
Due by Prosper Distribution Limited	1	-
Loan balance due by Prosper Group Hong Kong Limited	260	260
Due by Prosper Group Hong Kong Limited	8	-
Due by Ormsary Farmers	215	37
Due by Inver Farmers	4	4
Due by Landcatch Natural Selection Limited	4,268	2,077
Due by Prosper Distribution Limited	-	809
Loan balance due to J.F. Lithgow	-	90
Loan balance due to J.A. Lithgow	-	68
Due to Ormsary Farmers	-	204
Due to Inver Farmers	60	34
Due to Landcatch Natural Selection Limited	29	15
Due to Prosper Distribution Limited	3	42
Due to Prosper Trading (Shanghai) Limited	12	44
Due to Prosper Group Hong Kong Limited	-	2

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

24. Capital commitments

	Company		Group	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Contracted for but not provided in these financial statements	-	-	-	94

25. Contingent liabilities

There were no contingent liabilities at either December 31, 2008 or December 31, 2007.

26. Guarantees and financial commitments

The company has an overdraft facility arrangement which is secured by a bond and floating charge over the assets of the company and a guarantee provided by the shareholders. At December 31, 2008 there were borrowings of £1,936,000 (2007 - £6,031,000) in respect of this facility.

The parent company has also provided guarantees to joint venture partners and subsidiary companies in respect of loans advanced. As at December 31, 2008 the amount covered by these guarantees totalled £1,289,000 (2007 - £546,000). In the course of 2008, the parent company provided a guarantee in favour of the Trustees of The Lithgows Pension Scheme for £1,000,000, and this remained in place as at December 31, 2008.

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, 2008 the amount covered by these charges totalled £280,000 (2007 - £932,000).

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

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, 2006, and updated to December 31, 2008.

Change in benefit obligations

	2008 £'000	2007 £'000
As at January 1	26,171	26,748
Current service cost	173	264
Interest cost	1,500	1,355
Scheme participants' contributions	135	144
Actuarial (gains)/losses	(4,946)	(1,571)
Benefits paid	(934)	(769)
As at December 31	22,099	26,171

Analysis of defined benefit obligation

Schemes that are wholly or partly funded	22,099	26,171

Change in scheme assets

Fair value of scheme assets at beginning of year	20,904	20,907
Expected return on scheme assets	1,341	1,294
Actuarial gains/(losses)	(6,610)	(995)
Employer contribution	1,563	323
Member contributions	135	144
Benefits paid	(934)	(769)
Fair value of scheme assets at end of year	16,399	20,904
Funded status – net amount recognised	(5,700)	(5,267)

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

27. Pension commitments
(continued)

Components of pension cost

	2008 £'000	2007 £'000
Current service cost	173	264
Interest cost	1,500	1,355
Expected return on scheme assets	(1,341)	(1,294)
Total pension cost recognised in profit and loss account	332	325
Actuarial (gains)/losses immediately recognised	1,664	(576)
Total pension cost recognised in the STRGL	1,664	(576)
Cumulative amount of actuarial (gains)/losses immediately recognised	2,366	702

Scheme assets

The weighted-average asset allocations were as follows:

	2008	2007
Equities	65%	69%
Bonds/cash	30%	26%
Real estate	5%	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 6.3% assumption for the year ended December 31, 2008.

	2008	2007
Actual return on scheme assets	(5,269)	299

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

27. Pension commitments
(continued)

Weighted average assumptions used to determine benefit obligations

	2008	2007
Discount rate	6.7%	5.8%
Rate of compensation increase – staff/executives	3.5%	3.9%
Rate of compensation increase – hourly paid	3.0%	3.4%
Rate of increase of pensions in payment – 5% LPI, minimum 3%	3.0%	3.4%
Rate of increase of pensions in payment – 5% LPI	3.0%	3.4%
Rate of increase of pensions in payment – 2.5% LPI	2.5%	2.5%
Rate of increase of pensions in deferment	3.0%	3.4%
Inflation	3.0%	3.4%

Weighted average assumptions used to determine net pension cost

	2008	2007
Discount rate	5.8%	5.1%
Expected long-term return on scheme assets	6.3%	6.2%
Rate of compensation increase – staff/executives	3.9%	3.5%
Rate of compensation increase – hourly paid	3.4%	3.0%
Rate of increase of pensions in payment – 5% LPI, minimum 3%	3.4%	3.0%
Rate of increase of pensions in payment – 5% LPI	3.4%	3.0%
Rate of increase of pensions in payment – 2.5% LPI	2.5%	2.5%
Rate of increase of pensions in deferment	3.4%	3.0%
Inflation	3.4%	3.0%

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

	2008	
	Male	Female
Member age 65 (current life expectancy)	19.4	22.2
Member age 45 (life expectancy at age 65)	20.4	23.1

LITHGOWS LIMITED
NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008

27. Pension commitments
(continued)

Five year history

Financial year to	Dec 31 2008 £'000	Dec 31 2007 £'000	Dec 31 2006 £'000	Dec 31 2005 £'000	Dec 31 2004 £'000
Benefit obligation at end of year	22,099	26,171	26,748	27,700	26,139
Fair value of scheme assets at and of year	16,399	20,904	20,907	19,740	16,840
Surplus/(deficit)	(5,700)	(5,267)	(5,841)	(7,960)	(9,299)
Difference between actual and expected retum on scheme assets					
Amount (£'000)	(6,610)	(995)	297	2,195	602
Percentage of scheme assets	-40%	-5%	1%	11%	4%
Experience gains and (losses) on scheme liabilities					
Amount (£'000)	(11)	235	342	(45)	(963)
Percentage of scheme liabilities	0%	1%	1%	0%	-4%

Contributions

The company expects to contribute approximately £400,000 to the scheme in 2009.