(10170)

Lithgows Limited

REPORT AND FINANCIAL STATEMENTS 1995

CHAIRMAN'S STATEMENT

1995 has proved another tough year. Profit before tax for the year ending 31st December was £1,157,000; the post-tax profit after minority interests was £1,203,000.

Group capital investment in property, plant and equipment during the year amounted to £4,176,000; research and development is conservatively stated in the disclosed figure of £73,000. Group gearing at the year end (after accounting for all borrowings, lease and hire purchase commitments) at 14% included some secured vendor credit to customers.

Operating Activities

Turnover was £28,671,000.

Primary Production

Lithgows Pty

The performance of the Boathaugh farm has recovered with a small profit after the difficult climatic conditions of the previous season, though the beef market cycle has entered a declining phase.

Landcatch

The enterprise has been restructured to reflect its growing size, sophistication and importance. Fresh water operations (juveniles) have performed satisfactorily. A significant increase in production facilities is in hand.

Legal proceedings arising from the Braer incident that caused such serious dislocation in 1993 are in the Court of Session. The arrangement whereby a sort of financial soup kitchen funded by the oil industry deals with spills, fails to take account of the nature of salmon farming, where sea water ongrowing is inter-dependent with the rearing of juveniles at fresh water sites which, as in nature, may be far distant. Government is responsible for protecting the national environment and those who rely on it. A new industry like ours has brought a need for change. "Change is inevitable. In a progressive country change is constant" (Disraeli).

Table fish production in Loch Fyne has not been satisfactory resulting in a substantial loss in this activity. This was due to local management problems which have now been addressed and the activity now operates as a separate unit, Argyll Salmon Limited. The Cruive floating fish farms have proved their worth. The market is again depressed due to excessive Norwegian production, a consequence of Norwegian state intervention and refinancing of failed enterprises. However low market prices stimulate the remarkable growth in world demand for salmon.

Scientific

Aquaculture Diagnostics (Joint Venture with Strathclyde University)

Unforeseen problems and sickness have frustrated the launch of a marketable product. We hope to bring some attractive new technology to the market shortly.

CHAIRMAN'S STATEMENT (continued)

Marine

Buckie Shipyard was formed in the course of the year with the acquisition of the Shipyards at Buckie from the Receiver of Jones Buckie Ltd. This operation is in the capable hands of Mr Frank Grant BSc., who prior to nationalisation was a senior production executive at the Port Glasgow yards and a director of the operating company. Orders for new fishing vessels are still hard to secure due to the chaotic state of E.U. and U.K. fishery policy. However there is a steady demand for repair and refit from the Scottish inshore fleet and also RNLI. We will develop the new building business in close association with Campbeltown Shipyard.

Campbeltown Shipyard was unable to complete the new generation 25.5m fishing vessel reported last year till after the year end; she is now in service and reporting record catches. In the course of the year the yard has built various structures for the aquacultural industry and has another order for a trawler. It is extremely difficult however to maintain efficiency when the market has been so severely dislocated by fishery policy. There is pent up demand in the key 25m sector as the British fleet grows steadily older. E.U. modernisation grants would be available but for bureaucratic disagreement over the actual size of the British fleet and the nonsense of quota hopping.

Malakoff & Wm. Moore in Shetland had a patchy year.

J. Fleming Engineering (Stornoway) performed reasonably.

Manufacturing

Prosper Engineering did not perform as hoped. The North Sea market became more active during the course of the year but costs of steel rose very sharply and it was not until the end of the year that sensible recovery from customers of these material increases began to be achieved with prices.

Electronics

The business and trading assets of Lithgow Electronics were sold in May to a management buy-out team. We retain a small potential earn-out interest, for which no credit has been taken in the 1995 results, in what is now Clairemont Electronics Limited. We are confident that the management team will do well. The company was grown from a virtual start-up situation to become the largest indigenous manufacturing employer in Inverclyde in the course of a dozen years. That was achieved from a modest capital base and the systematic reinvestment of earnings. We felt however that global developments in electronics would require a greater commitment and understanding from the parent company than was compatible with our other strategic objectives.

Contracting

McKinlay & Blair are now established in their new headquarters and their retail outlet is trading successfully.

CHAIRMAN'S STATEMENT (continued)

Building Products

Glasgow Iron & Steel Co. has again held its own in what has been a very difficult year. The building industry continues to be thoroughly depressed. Nevertheless production facilities have been improved with capital expenditure in 1995 of almost £750,000.

Properties

The Group holds a number of properties, mostly redundant industrial land. Our site at Niddrie, Edinburgh was sold satisfactorily during the course of the year. There is ongoing interest in other properties.

Outlook

The results for the year have been disappointing apart from the exceptional profit on the disposal of Lithgow Electronics. However much good work has gone into developing our businesses, the benefits of which are beginning to work through. It is unfortunate that all the divisions should have had hard going in the same year. However in the course of 1995 net assets increased from £12,861,000 to £13,822,000 whilst the quality of our resources continued to be improved. We have a first-class team to whom thanks are due for a great deal of hard work and effort.

William Lithgow

Chairman

March 20, 1995

Directors

Sir William Lithgow, Bt.*+	(Chairman)
Mr. C.H. Parker, O.B.E.+	(Vice-Chairman)
Mr. H.M. Currie	(Managing Director)
Mr. M.E. Alberge*+	
Lady Lithgow+	
Mr. D.F. Macquaker, C.B.E.*+	
Mr. A.R. Reid	(Company Secretary)
Mr. A.W.C. Wishart	(Finance Director)

* Denotes a member of the Audit Committee

\+ Denotes a non-executive director

Registered Office

3 Ardgowan Square
Greenock

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended December 31, 1995.

Results and dividends

The group trading profit for the year, after taxation amounted to £1,203,021.

The directors recommend that an ordinary dividend of £167,738, a preferred ordinary dividend of £20,313 and a preference dividend of £48,750 be paid in respect of the year on the ordinary shares and preferred ordinary shares of £100 each and the preference shares of £1 each, respectively, in the company.

This leaves a profit of £966,220 to be transferred to reserves.

Review of the business

The group's principal operating subsidiaries and their activities during the year are shown on page 23. Comments on the results for the year and on future developments are contained in the Chairman's statement on pages 1 - 3.

Directors and their interests

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

The director who retires from the board by rotation at the next Annual General Meeting is Mr. M.E. Alberge 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, 1995 and at December 31, 1994.

	Ordinary shares				Preferred Ordinary Shares		7.5% Preference shares	
	Beneficial Interest		Interest as Trustees (non-beneficial)		Interest as Trustees (non-beneficial)		Interest as Trustees (non-beneficial)	
	1995	1994	1995	1994	1995	1994	1995	1994
Sir William Lithgow	2,254	2,254	-	-	-	-	-	-
Lady Lithgow	727	727	3,409	4,063	654	-	650,000	650,000
C.H. Parker	-	-	1,023	1,535	512	-	-	-

No other director at December 31, 1995 had any interest in the share capital of the company or in any subsidiary during the year.

Directors' responsibilities for the financial statements

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

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

DIRECTORS' REPORT
(continued)

Corporate governance

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

Significant changes in fixed assets

The changes in fixed assets during the year are summarised in note 8 to the financial statements.

Disabled employees

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

Employees

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

Charitable donations

During the year the group made charitable contributions totalling £13,409.

Political donations

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

Close company

The directors are advised that the company is a close company within the terms of the Income and Corporation Taxes Act, 1988.

Auditors

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

ON BEHALF OF THE BOARD

A. K. Reid

Secretary
March 20, 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF
LITHGOWS LIMITED

We have audited the financial statements on pages 8 to 32 which have been prepared under the accounting policies set out on pages 14 and 15.

Respective responsibilities of directors and auditors

As described on page 5 the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at December 31, 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
Registered Auditors
Chartered Accountants

Glasgow
March 20, 1995

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1995

	Notes	1995 £'000	1994 £'000
TURNOVER	1		
Continuing operations		23,165	22,806
Discontinuing operations		5,506	13,578
		28,671	36,384
OPERATING (LOSS)/PROFIT	2		
Continuing operations		(1,338)	34
Discontinued operations		94	454
		(1,244)	488
Profit on disposal of discontinued operations		2,371	-
Profit on disposal of fixed assets		180	-
		1,307	488
Interest	4 & 5	(150)	(187)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,157	301
Taxation	6	46	(23)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,203	278
Minority interests		-	7
PROFIT FOR THE FINANCIAL YEAR		1,203	285
Dividends - including non equity interests	7	(237)	(234)
PROFIT FOR YEAR		966	51
Transfer to reserves:			
Lithgows Limited		2,997	(66)
Subsidiary undertakings		(2,031)	117
		966	51

The notes on pages 14 to 32 form part of these financial statements.

STATEMENT OF RETAINED RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED DECEMBER 31, 1995

Group	Profit and loss account £'000	Revaluation surplus £'000	Other reserves £'000	Capital redemption reserves £'000	Total reserves £'000	Called-up share capital £'000	Total shareholders funds £'000
At January 1, 1995	7,201	3,842	139	325	11,507	1,354	12,861
Movements in year:							
Amortisation of revaluation surplus	26	(26)	-	-	-	-	-
Realisation of revaluation surplus	1,190	(1,190)	-	-	-	-	-
Goodwill written off	-	-	(5)	-	(5)	-	(5)
Profit for the year	966	-	-	-	966	-	966
At December 31, 1995	9,383	2,626	134	325	12,468	1,354	13,822
Attributable to:							
Equity interests							13,172
Non equity interests							650
							13,822

Company	Profit and loss account £'000	Revaluation surplus £'000	Other reserves £'000	Capital redemption reserves £'000	Total reserves £'000	Called-up share capital £'000	Total shareholders funds £'000
At January 1, 1995	3,497	-	-	325	3,822	1,354	5,176
Movements in year:							
Profit for the year	2,997	-	-	-	2,997	-	2,997
At December 31, 1995	6,494	-	-	325	6,819	1,354	8,173
Attributable to:							
Equity interests							7,523
Non equity interests							650
							8,173

The notes on pages 14 to 32 form part of these financial statements.

LITHGOWS LIMITED

GROUP BALANCE SHEET AT DECEMBER 31, 1995

	Notes	£'000	1995 £'000	1994 £'000
Fixed assets:				
Tangible assets	8	11,235		10,192
Investments:	9			
Associated undertakings		-		-
Unlisted investments		108		103
			11,343	10,295
Current assets:				
Stocks and work-in-progress	10	7,433		5,835
Debtors	11	5,571		8,025
Cash at bank and in hand	12	1,000		1,136
		14,004		14,996
Creditors: amounts falling due within one year	13	(9,166)		(9,937)
Net current assets			4,838	5,059
Total assets less current liabilities			16,181	15,354
Creditors: amounts falling due after more than one year	14		(1,699)	(1,598)
Provision for liabilities and charges	17		(115)	(167)
Minority interests - equity			(345)	(345)
Accruals and deferred income:				
Deferred grants			(200)	(383)
			13,822	12,861
Capital and reserves:				
Called up share capital (including non equity interests)	18		1,354	1,354
Reserves			12,468	11,507
			13,822	12,861

Hugh M. Currie)
William Thornton) Directors

March 20, 1996

The notes on pages 14 to 32 form part of these financial statements.

LITHGOWS LIMITED

COMPANY BALANCE SHEET AT DECEMBER 31, 1995

	Notes		1995	1994
		£'000	£'000	£'000
Fixed assets:				
Tangible assets	8	154		1,365
Investments:	9			
Subsidiary undertakings		8,941		5,378
Unlisted investments		100		80
			9,195	6,823
Current assets:				
Debtors	11	402		707
Cash at bank and in hand		243		3
		645		710
Creditors: amounts falling due within one year	13	(1,593)		(2,137)
Net current liabilities			(948)	(1,427)
Total assets less current liabilities			8,247	5,396
Creditors: amounts falling due after more than one year	14		(74)	(220)
			8,173	5,176
Capital and reserves:				
Called up share capital (including non equity interests)	18		1,354	1,354
Reserves			6,819	3,822
			8,173	5,176

Hugh M. Currie
) Directors

March 20, 1996

The notes on pages 14 to 32 form part of these financial statements.

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1995

	Notes	£'000	1995 £'000	1994 £'000
Net cash (outflow)/inflow from operating activities	19		(1,858)	2,968
Returns on investments and servicing of finance				
Interest received		121		101
Overdraft interest paid		(68)		(129)
Finance lease interest paid		(106)		(137)
Loan interest paid		(97)		(22)
Dividends paid		(234)		(233)
Net cash (outflow) from returns on investments and servicing of finance			(384)	(420)
			(2,242)	2,548
Taxation				
U.K. corporation tax recovered			56	279
			(2,186)	2,827
Investing activities				
Purchase of fixed assets		(3,677)		(1,277)
Sale of fixed assets		1,426		224
Receipt of grant		68		24
Capital receipt from finance lease		125		111
Acquisition of assets	20	(475)		-
Sale of business	21	3,862		-
Purchase of unlisted investments		(24)		-
			1,305	(918)
Net cash (outflow)/inflow before financing			(881)	1,909
Financing				
Net loan receipts	15	907		989
Capital element of finance lease rentals	16	(480)		(514)
Net cash inflow from financing			427	475
(Decrease)/increase in cash and cash equivalents	12		(454)	2,384

The notes on pages 14 to 32 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED DECEMBER 31, 1995

	1995 £'000	1994 £'000
PROFIT FOR THE FINANCIAL YEAR	1,203	285
Currency translation differences on foreign currency net investments	-	108
TOTAL RECOGNISED GAINS AND LOSSES	1,203	393

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED DECEMBER 31, 1995

	1995 £'000	1994 £'000
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,157	301
Realisaton of revaluation gains of previous years	1,190	-
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	26	26
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,373	327
HISTORICAL COST PROFIT RETAINED	2,182	77

The notes on pages 14 to 32 form part of these financial statements.

ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The group profit and loss account, balance sheet and cash flow statement 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 net excess or deficit of the fair value of the net assets of subsidiaries over the purchase price at the date of acquisition is credited or charged direct to reserves.

Companies, other than subsidiary undertakings, in which the group has an investment comprising not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings.

The group share of the results of associated undertakings is shown in the profit and loss account and the group share of the accumulated reserves of these associates is shown in the statement of retained reserves.

Goodwill

Goodwill, being the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable assets, is written off in the year in which it is incurred.

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

Stocks and work-in-progress

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

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

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

ACCOUNTING POLICIES
(continued)

Deferred taxation

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

Government grants

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

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 have been credited to reserves and other exchange differences are charged or credited to profit as appropriate.

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 rental 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 income on a straight line basis over the terms of the lease.

Finance leases

Assets leased to customers on finance leases are excluded from the fixed assets of the company and reported in the balance sheet as a debtor for the amount expected to be received from that lease (net of future period finance charges). Receipts from finance leases contain a capital element which reduces the debtor and an interest charge which is credited to revenue so as to give a constant return on the funds invested in the lease.

Pensions

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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

1. Turnover and (loss)/profit on ordinary activities before taxation

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of value added tax.

The turnover and (loss)/profit on ordinary activities before taxation is attributable to the following activities:-

	Turnover		Pre-tax profit	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Marine and shipowning	7,268	5,479	287	38
Primary production	3,914	6,276	(550)	472
Manufacturing and contracting	17,489	24,629	(938)	89
Scientific	-	-	(43)	(111)
	28,671	36,384	(1,244)	488
Net interest			(150)	(187)
			(1,394)	301
Profit on disposal of discontinued operations - manufacturing and contracting			2,371	-
Profit on disposal of fixed assets - manufacturing and contracting			180	-
			1,157	301

Analysis of turnover by geographical area:

	1995	1994
	£'000	£'000
U.K.	25,373	32,768
E.C.	1,203	1,141
Other Europe	94	205
U.S.A. and Canada	757	1,038
Asia and Australasia	846	878
South America	398	354
	28,671	36,384

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

2. Operating (loss)/profit

(a) Operating (loss)/profit comprises:

	1995 Continuing £'000	1995 Discontinued £'000	1995 Total £'000	1994 Continuing £'000	1994 Discontinued £'000	1994 Total £'000
Turnover	23,165	5,506	28,671	22,806	13,578	36,384
Cost of sales	(19,095)	(4,609)	(23,704)	(18,457)	(11,227)	(29,684)
Gross profit	4,070	897	4,967	4,349	2,351	6,700
Distribution costs	(600)	-	(600)	(492)	-	(492)
Administration expenses	(5,096)	(812)	(5,908)	(4,426)	(1,912)	(6,338)
Other operating income	288	9	297	603	15	618
Operating (loss)/profit	(1,338)	94	(1,244)	34	454	488

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

	1995 £'000	1994 £'000
Items charged:		
Directors' emoluments	441	451
Auditors' remuneration - audit services	78	62
Auditors' remuneration - non-audit services	21	31
Depreciation of owned assets	977	982
Depreciation of assets held under finance leases and hire purchase contracts	324	340
Operating lease rentals - plant & machinery	112	220
Operating lease rentals - land & buildings	352	425
Research and development	73	251
Items credited:		
Net rental income	9	7
Release from government grants deferred credit	176	264
Income from unlisted investments	7	22
Gain on sale of fixed assets	31	216

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

2. Operating (loss)/profit
(continued)

(c) Directors' emoluments

	1995 £'000	1994 £'000
Fees	40	39
Other emoluments (including pension contributions)	401	412
	441	451

Excluding pension contributions, the emoluments of the chairman were £93,795 (1994 - £93,113). The emoluments of the highest paid director (excluding pension contributions) were £103,637 (1994 - £101,465).

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	No.	No.
£5,001 - £10,000	2	2
£20,001 - £25,000	1	1
£40,001 - £45,000	1	-
£55,001 - £60,000	-	1
£60,001 - £65,000	1	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-
£90,001 - £95,000	1	1
£100,000 - £105,000	1	1

During the year the chairman passed on to the company a fee of £15,000 (1994 - £15,000) from an outside directorship.

3. Staff costs

	1995 £'000	1994 £'000
Wages and salaries	9,061	11,312
Social security costs	726	930
Other pensions costs	435	404
	10,222	12,646

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

	No.	No.
Directors	8	8
Office and management	143	155
Other	596	798
	747	961

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

4. Interest receivable

	1995 £'000	1994 £'000
On bank deposits	85	26
On other loans	7	33
On finance leases	29	42
	121	101

5. Interest payable

	1995 £'000	1994 £'000
Bank overdrafts	(68)	(129)
Finance charges payable under finance leases and hire purchase contracts	(106)	(137)
Loans not wholly repayable within five years	(97)	(22)
	(271)	(288)

6. Taxation on profit on ordinary activities

	1995 £'000	1994 £'000
The taxation credit/(charge) based on the profit for the year represents:		
Corporation tax (payable)/recoverable at 33% (1994 - 32%)	(36)	33
Transfer from/(to) deferred taxation	52	(79)
Tax on franked investment income	(1)	(4)
	15	(50)
Other items:		
Corporation tax - over provision in prior years	31	28
Deferred taxation - under provision in prior years	-	(1)
	46	(23)

7. Dividends

	1995 £'000	1994 £'000
Equity interests		
Ordinary dividend - interim paid £13.125 per share (1994 - £13.125 per share)	84	92
Preferred ordinary dividend - interim paid £13.125 per share (1994 - £Nil)	8	-
Ordinary dividend - final proposed £13.125 per share (1994 - £13.125 per share)	84	93
Preferred ordinary dividend - final proposed £17.935 per share (1994 - £Nil)	12	-
	188	185
Non equity interests		
Preference dividend - paid	49	49
	237	234

8. Tangible fixed assets

	Freehold property £'000	Machinery, plant, vehicles and fittings £'000	Total £'000
Company			
Cost or valuation:			
At January 1, 1995	1,551	323	1,874
Additions	-	21	21
Group transfers	-	6	6
Disposals	(1,200)	(52)	(1,252)
At December 31, 1995	351	298	649
Depreciation:			
At January 1, 1995	254	255	509
Charge for the year	1	36	37
Disposals	-	(51)	(51)
At December 31, 1995	255	240	495
Net book value:			
At January 1, 1995	1,297	68	1,365
At December 31, 1995	96	58	154

Cost or valuation at December 31, 1995 comprises:

Cost	351	298	649

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

8. Tangible fixed assets
(continued)

	Freehold property	Long leasehold property	Short leasehold property	Machinery plant vehicles and fittings	Freehold slipways and jetties	Total
Group						
Cost or valuation:						
At January 1, 1995	6,129	75	176	14,926	261	21,567
Additions	1,790	120	78	2,188	-	4,176
Disposals	(1,626)	-	-	(1,885)	-	(3,511)
At December 31, 1995	6,293	195	254	15,229	261	22,232
Depreciation:						
At January 1, 1995	882	65	71	10,302	55	11,375
Charge for the year	82	5	15	1,193	6	1,301
Disposals	(11)	-	-	(1,668)	-	(1,679)
At December 31, 1995	953	70	86	9,827	61	10,997
Net book value:						
At January 1, 1995	5,247	10	105	4,624	206	10,192
At December 31, 1995	5,340	125	168	5,402	200	11,235

Cost or valuation at December 31, 1995, comprises:

	Freehold property	Long leasehold property	Short leasehold property	Machinery plant vehicles and fittings	Freehold slipways and jetties	Total
Cost	2,958	195	254	15,229	96	18,732
Valuation in 1982	91	-	-	-	-	91
Valuation in 1983	279	-	-	-	-	279
Valuation in 1984	449	-	-	-	-	449
Valuation in 1985	305	-	-	-	165	470
Valuation in 1991	70	-	-	-	-	70
Valuation in 1993	2,141	-	-	-	-	2,141
	6,293	195	254	15,229	261	22,232

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

8. Tangible fixed assets
(continued)

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

	Freehold property £'000	Freehold, slipways and jetties £'000	Total £'000
Historical cost:			
At January 1, 1995 and December 31, 1995	739	102	841
Depreciation based on cost:			
At January 1, 1995	116	40	156
Charge for the year	6	2	8
At December 31, 1995	122	42	164
Net historical cost value:			
At January 1, 1995	623	62	685
At December 31, 1995	617	60	677

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

	Company £'000	Group £'000
Net book value:		
At January 1, 1995	52	1,156
At December 31, 1995	26	811

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

9. Investments

(a) Subsidiary undertakings:

	1995 £'000	1994 £'000
Company		
Investment in subsidiary undertakings comprises:		
Cost	5,680	3,808
Amounts written off	(254)	(254)
Amounts due by subsidiaries, less provisions	5,910	3,480
Amounts due to subsidiaries	(2,395)	(1,656)
Net book value	8,941	5,378

At December 31, 1995, the company had beneficial interests directly or indirectly (*) in the ordinary share capital of the undernoted principal operating subsidiary undertakings. All are registered in Scotland unless otherwise stated and all are 100% owned with the exception of Malakoff & Wm. Moore Limited which is 55% owned and Aquaculture Diagnostics which is 75.1% owned. Companies not audited by the parent company auditors are indicated by (+).

Nature of Business	Company
Primary Production:	Lithgows Pty Limited+ (incorporated in Australia)
	Landcatch Limited
	Ormsary Fish Farms Limited*
	Inver Lochs Limited*
Marine and Shipowning:	Campbeltown Shipyard Limited
	Campbeltown Developments Limited
	Cruive Limited
	Cruive III Limited
	J. Fleming Engineering (Stornoway) Limited+
	Malakoff & Wm. Moore Limited
	Buckie Shipyard Limited
Manufacturing & Contracting:	
Engineering	Prosper Engineering Limited
Electrical Contracting	McKinlay & Blair Limited
Building Products	The Glasgow Iron & Steel Company Limited
	A. Kenneth & Sons Limited*
Salmon	Barony Seafoods Limited
Scientific:	Aquaculture Diagnostics Limited
Finance:	Inver Salmon Limited
	Lithgow Factoring Limited

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

9. Investments
(continued)

(b) Associated undertakings

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

	Company £'000	Group £'000
Cost:		
At January 1, 1995 and December 31, 1995	-	75
Amounts written off:		
At January 1, 1995 and December 31, 1995	-	75
Net book value:		
At January 1, 1995 and December 31, 1995	-	-

(c) Unlisted investments

Unlisted investments comprise:

	Company £'000	Group £'000
Cost:		
At January 1, 1995	94	195
Additions	20	24
At December 31, 1995	114	219
Amounts written off:		
At January 1, 1995	14	92
During the year	-	19
At December 31, 1995	14	111
Net book value:		
At January 1, 1995	80	103
At December 31, 1995	100	108

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

10. Stocks and work-in-progress

	Group	
	1995	1994
	£'000	£'000
Raw materials and consumables	1,785	1,945
Work-in-progress	2,018	813
Work-in-progress payments received on account	(1,218)	(95)
Finished goods and goods for resale	1,205	524
Livestock	3,643	2,648
	7,433	5,835

11. Debtors

	Company		Group	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Trade debtors	11	28	4,511	6,147
Other debtors	57	43	338	513
Prepayments and accrued income	98	197	454	853
Current corporation tax	23	101	55	174
Amounts due from finance leases	213	338	213	338
	402	707	5,571	8,025

Included in the above figure of amounts due from finance leases is an amount of £75,000 (1994 - £213,000) which is due after more than one year.

12. Cash and cash equivalents

				Group	
				Change in	Change in
	1995	1994	1993	1995	1994
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,000	1,136	498	(136)	638
Bank overdrafts	(514)	(196)	(1,942)	(318)	1,746
	486	940	(1,444)	(454)	2,384

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

13. Creditors: amounts falling due within one year

	Company		Group	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank overdrafts	503	1,279	514	196
Finance lease and hire purchase creditor (note 16)	145	153	424	511
Trade creditors	24	12	4,220	5,179
Current corporation tax	3	62	193	250
Other taxes and social security costs	39	47	420	868
Other creditors	200	98	1,069	565
Accruals	220	195	1,328	1,693
Group development and relocation provisions	363	198	601	471
Proposed dividend	96	93	96	93
Current instalments due on loans (note 15)	-	-	301	111
	1,593	2,137	9,166	9,937

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

	Company		Group	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Loans (note 15)	-	-	1,428	878
Obligations under finance leases and hire purchase contracts (note 16)	74	220	271	679
Other	-	-	-	41
	74	220	1,699	1,598

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

15. Loans

	Group 1995	Group 1994
	£'000	£'000
Not wholly repayable within five years	1,385	989
Wholly repayable within five years	344	-
	1,729	989
Instalments due:		
after five years	397	404
between two and five years	727	360
between one and two years	304	114
	1,428	878
within one year (note 13)	301	111
	1,729	989
Details of loans not wholly repayable within five years are as follows:		
10½% loan repayable in quarterly instalments of £15,860, including interest, commencing June 1994, secured by a mortgage on a vessel	347	372
10¼% loan repayable in quarterly instalments of £4,375 commencing January 1995, secured by a standard security over one of the group's properties	-	175
7½% loan repayable in six monthly instalments of £34,000 commencing May 1995, secured by a mortgage on a vessel and supplemental Deed of Covenant	374	442
7½% loan repayable in six monthly instalments of £47,429 commencing January 1996, secured by a mortgage on a vessel and supplemental Deed of Covenant	664	-
	1,385	989
Details of loans wholly repayable within five years are as follows:		
Variable rate loan repayable in monthly instalments of £11,039, including interest, commencing in December 1995	344	-
	1,729	989
Analysis of changes in loan financing:		
At January 1, 1995	989	-
New loans	1,014	1,017
Capital element of repayments	(107)	(28)
Loans transferred on sale of business	(167)	-
At December 31, 1995	1,729	989

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

16. Obligations under leases and hire purchase contracts

	Company		Group	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Amounts due within one year	162	185	457	603
Amounts due within two to five years	77	240	311	740
	239	425	768	1,343
Less finance charges allocated to future periods	(20)	(52)	(73)	(153)
	219	373	695	1,190
The above shown as:				
Current obligations (note 13)	145	153	424	511
Non-current obligations (note 14)	74	220	271	679
	219	373	695	1,190
Analysis of changes:				
At January 1, 1995			1,190	1,321
New contracts			79	383
Capital element of repayments			(480)	(514)
Contracts transferred on sale of business			(94)	-
At December 31, 1995			695	1,190

Annual commitments under non cancellable operating leases:

Group	Land & Buildings		Other	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	32	64	3	21
Within the second to fifth years inclusive	-	110	133	79
Over five years	282	264	-	5
	314	438	136	105

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

17. Provisions for liabilities and charges

Group	Deferred Taxation
	£'000
At January 1, 1995	167
Arising during the year (note 6)	(52)
At December 31, 1995	115

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

	Provision		Potential	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Group				
Accelerated capital allowances	103	145	343	350
Other timing differences	12	22	(498)	(167)
	115	167	(155)	183

The total potential liability for deferred taxation has been reduced by deferred tax assets of £270,000 (1994 - £86,000) in various group companies which have not been included in the amount provided.

	Provision		Potential	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Company				
Accelerated capital allowances	-	-	26	-
Other timing differences	-	-	(227)	(65)
Deferred asset	-	-	(201)	(65)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

18. Share capital

	1995 £'000	1994 £'000
Authorised:		
Equity interests - 9,346 ordinary shares of £100 each (1994:10,000)	935	1,000
- 654 preferred ordinary shares of £100 each (1994:Nil)	65	-
Non equity interests - 1,000,000 7.5% preference shares of £1 each (1994 - 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 (1994:7,044)	639	704
- 654 preferred ordinary shares of £100 each (1994:Nil)	65	-
Non equity interests - 650,000 7.5% preference shares of £1 each	650	650
	1,354	1,354

On August 8, 1995 the company converted 654 ordinary shares of £100 each into 654 preferred ordinary shares of £100 each. The preferred ordinary shares are non-voting shares, but have rights to be paid out of the distributable profits of each financial year in preference to any dividend on the ordinary shares of the company, but after payment of the dividend on the preference shares. In the event of a winding up, the holders of the ordinary shares and the holders of the preferred ordinary shares shall rank pari passu.

The preference shares are non-voting and non-convertible and have no rights to share in dividends other than the fixed 7.5% dividend which is non-cumulative. The shares are redeemable at the option of the holder at any time, subject to the holder providing the company one month's notice in writing of his intention to redeem. In the event of a winding up, the holders of the preference shares shall rank ahead of the holders of the ordinary shares and the preferred ordinary shares, but only to the extent of being repaid at par.

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

	1995 £'000	1994 £'000
Operating (loss)/profit	(1,338)	34
Depreciation	1,245	1,206
Gain on sale of fixed asset	(31)	(216)
(Increase)/decrease in stocks	(2,072)	493
Decrease/(increase) in debtors	407	(30)
Increase in creditors	1,614	963
Release from deferred grants	(167)	(249)
Provision against investments	19	19
Exchange gain	-	19
Net cash (outflow)/inflow from continuing operating activities	(323)	2,239
Net cash (outflow)/inflow in respect of discontinued activities	(1,535)	729
Net cash (outflow)/inflow from operating activities	(1,858)	2,968

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

20. Analysis of assets acquired

During the year the group acquired, via a newly created subsidiary, the business and assets of a shipbuilding and shiprepairing trade. Group profits include £17,000 earned by this trade in the period to December 31, 1995.

	1995 £'000
Tangible assets	420
Intangible assets	5
Stocks and work-in-progress	50
	475

The trade acquired during the year contributed £100,000 to the group's net operating cash flow.

21. Disposals

During the year the group disposed of the electronics trade of one of its subsidiary companies. Group profits include £94,000 earned by the trade up to its date of disposal on May 26, 1995.

Net assets disposed of:	
Tangible fixed assets	617
Stocks and work-in-progress	767
Debtors	2,683
Bank and cash	217
Creditors	(2,240)
Finance lease liabilities	(94)
Deferred grants	(75)
Loans	(167)
Profit on sale of business	2,371
Settled by cash	4,079

Analysis of net cash inflow of cash and cash equivalents in respect of disposals during the year:

Cash consideration	4,079
Cash at bank and in hand disposed of	(217)
	3,862

The trade sold during the year was responsible for £1,535,000 of the group's net cash outflow from operating activities, utilised £199,000 for investing activities and was responsible for the outflow of £63,000 from financing.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1995

22. Capital commitments

	Company		Group	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Contracted	-	-	16	295
Authorised by the directors but not contracted	-	-	99	624

In arriving at the above amounts government grants have not been taken into account.

23. Contingent liabilities

There were no contingent liabilities at either December 31, 1995 or December 31, 1994.

24. Pension commitments

The group operates a defined benefit scheme, The Lithgows Limited Pension Scheme. The assets of the scheme are held separately from those of the group, being managed by independent fund managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of regular valuations, the most recent of which were at April 6, 1995. These valuations used the projected unit method. The principal assumptions used in these valuations were an investment return of 2% per annum higher than the rate of increase in pensionable salaries and 5% higher than the rate of dividend growth and future pension increases in accordance with the rules of the scheme.

The most recent actuarial valuations showed that the market value of the scheme's assets was £10,252,320, and that the actuarial value of those assets represented 103% of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries.

On the basis of the contributions paid by the group the pension charge for the year was £434,586 (1994 - £403,786).