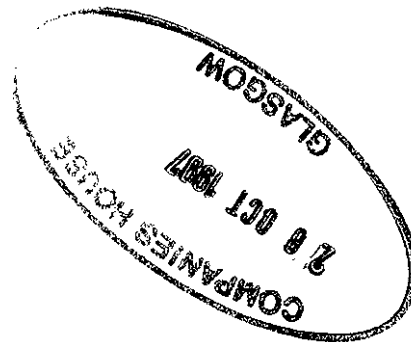
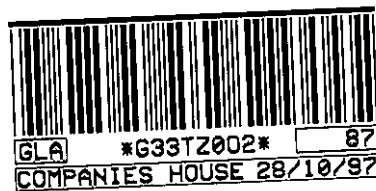


Co. No. 10170

LITHGOWS LIMITED
REPORT and FINANCIAL STATEMENTS 1996



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CHAIRMAN'S STATEMENT

1996 proved to be a very difficult year. Following completion of the draft Financial Statements in March 1997, the Directors decided that it would be prudent to make provisions in the light of factual costing for operations to be discontinued and onerous contracts. This has delayed the presentation of these Financial Statements. These exceptional provisions have resulted in a loss for the year after taxation amounting to £3,423,000, from turnover of £32,601,000.

Group capital investment in property plant and equipment during the year amounted to £2,788,000; research and development is conservatively stated in the disclosed figure of £50,000. Group total borrowing, at the year end, including lease and hire purchase commitments (and minority interests included) was £1,388,000 (this included some secured vendor credit for customers).

In 1995, 1996 and the current year major changes to the nature of the Group have been effected. In 1995 our electronic business was disposed of on satisfactory terms; although we had built this business virtually from scratch with modest resources, we did not feel it was central to our expertise. As part of our programme of rationalisation, we have just concluded the sale of Glasgow Iron & Steel Company Ltd and its business to the company's management. We have however retained the heritable assets, having transferred them to A. Kenneth & Sons, now a subsidiary of Lithgows rather than Glasgow Iron. Assets required for brickmaking are rented to Glasgow Iron. This disposal releases our senior management's time and draws a line under what has been a significant cash demand in recent years with the difficult conditions in the brick industry.

We have focused our business principally in three main divisions, Aquaculture, Marine and Engineering, with increased levels of investment in modern technology, facilities and knowledge based systems.

The ongoing difficulties in salmon farming caused by Norwegian dumping, now confirmed by an E.U. investigation, determined us to concentrate on our proven expertise in breeding and juvenile production. The Board of Landcatch has been joined by Professor Ronald Roberts, a world expert in this field, and, with the knowledge and expertise he and his technical team have provided, the company is committed to a sizeable investment in broodstock development. We have recently established a joint venture in Chile, Landcatch Chile Ltda, with a leading Chilean producer; similar opportunities to utilise our technical know-how will be identified. Landcatch Ltd acquired another integrated onshore juvenile unit at Foyers, Loch Ness as a going concern during 1996 and have brought new production facilities into service at Clachbreac, Ormsary. More recently we have acquired the former Kelco plant at Barcaldine, North Argyll. This trades as The Marine Resource Centre Ltd and undertakes the milling of seaweed for its former owners on part of the site. The facilities include some six acres of good industrial buildings, an office block and laboratories as well as a pier and a large freshwater reservoir. The potential for this site in relation to marine and aquacultural activities is considerable, and already a feed storage and handling contract has been concluded with a major user. In time additional cost effective salmon smolt production facilities can readily be established at this location; it is particularly suited to Landcatch's technique for extended season production using photoperiod and temperature manipulation.

LITHGOWS LIMITED

CHAIRMAN's STATEMENT (continued)

A joint venture, 60% Lithgows and 40% J & A Gardner & Company Limited, trading as Knapdale Shipping (Campbeltown) Limited will be bringing the Campbeltown built M.V. Crear into service this Autumn. She will be the first Scottish-owned wellboat for moving live salmon, especially smolts; there would appear to be a strong demand for this operation which previously has depended on tonnage chartered from Norway.

Operating Activities

Aquaculture

Landcatch

Fresh water operations have performed satisfactorily and the technique for producing smolts over a longer seasonal period has been proved. Additional production facilities have been brought into service.

Marine

Buckie Shipyard Ltd has been a major disappointment, reflecting the difficulty of turning round businesses that have been bankrupt. With the appointment of new senior management in the Marine Division, progress is now being made in developing bread and butter business in repair and refurbishment for the Scottish inshore fleet and the RNLI.

Campbeltown Shipyard Ltd delivered a trawler during the year and has on hand the wellboat for Knapdale Shipping (Campbeltown) Limited. However, the limited levels of business available at economic prices has resulted in another poor trading performance.

Malakoff & Moore in Shetland had another patchy year, reflecting difficulties and change in the fishing fleet.

J. Fleming Engineering (Stornoway) performed reasonably.

Engineering

Prosper Engineering performed strongly despite fierce competition. We were able to enjoy the results of changes in policy and management structure; long term objectives are coming to fruition.

Other Activities

McKinlay & Blair performed satisfactorily.

LITHGOWS LIMITED**CHAIRMAN's STATEMENT** (continued)**Lithgows Pty**

The beef market in Australia has been severely depressed and the value of livestock has been written down to reflect this. Property values however remain buoyant. R.V. Hancock who has managed the Boathaugh Farm so well since its inception, retired earlier this year; the company has been fortunate to recruit Mr James Hedderwick.

Glasgow Iron and Steel Company had a bad year reflecting the disappointing level of activity in the building industry and the surplus of capacity brought on stream by competitors.

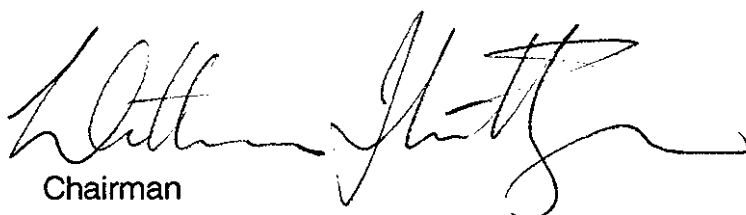
Properties

The Group holds a number of properties, mostly redundant industrial land. Steady progress is being made with a view to marketing more of this portfolio advantageously but there were no disposals in 1996.

Outlook

The results for the year have been a great disappointment. But it has been a year of major change as the Group focuses and concentrates on areas of special expertise. Inevitably the process of acquisition and disposal places a heavy burden on management resources. We look forward now to reaping the benefit of the changes that have been made.

Cameron Parker retired from the Board in August 1997. He joined the Board of Lithgows in 1984 after a special assignment to revive the fortunes of Prosper Engineering and became our Managing Director in August 1984. In the Autumn of 1991 he accepted the position of Vice Chairman, retiring from the Managing Director's role in April 1992. He played a key part in the successful development of the Group following the expropriation of the company's principal interests through nationalisation of shipbuilding. Prior to nationalisation Cameron headed with great distinction Kincaids who engined most of the ships from our Port Glasgow yards. I have appreciated a long association with him and we are grateful for his wise direction and counsel. We wish him a very long and happy retirement.

A handwritten signature in black ink, appearing to read 'William Hunter', written in a cursive style.

Chairman

October 1, 1997

Directors

Sir William Lithgow, Bt.* ⁺	(Chairman)
Mr. C.H. Parker, O.B.E. ⁺	(Vice-Chairman - retired August 5, 1997)
Mr. H.M. Currie	(Managing Director)
Mr. M.E. Alberge* ⁺	
Lady Lithgow ⁺	
Mr. J.F. Lithgow ⁺	(Appointed April 30, 1996)
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, 1996.

Results and dividends

The group trading loss for the year, after taxation amounted to £3,422,902.

The directors recommend that an ordinary dividend of £167,738, a preferred ordinary dividend of £18,884 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 loss of £3,658,274 to be deducted from reserves.

Review of the business

The group's principal operating subsidiaries and their activities during the year are shown on page 25. 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 served during the year are stated on page 4.

Mr. J.F. Lithgow, having been appointed since the last Annual General Meeting, retires and being eligible offers himself for re-election.

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, 1996 and at December 31, 1995.

	Ordinary shares				Preferred Ordinary Shares		7.5% Preference shares	
	Beneficial		Interest as		Interest as		Interest as	
	Interest		Trustees		Trustees		Trustees	
	1996	1995	(non-beneficial)	(non-beneficial)	(non-beneficial)	(non-beneficial)	(non-beneficial)	(non-beneficial)
	1996	1995	1996	1995	1996	1995	1996	1995
Sir William Lithgow	1,753	2,254	500	-	-	-	-	-
Lady Lithgow	728	727	3,909	3,409	654	654	650,000	650,000
C.H. Parker	-	-	1,023	1,023	512	512	-	-

No other director at December 31, 1996 had any interest in the share capital of the company or in any subsidiary during the year.

DIRECTORS' REPORT(continued)Directors' responsibilities for the financial statements

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

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

Corporate governance

Whilst it is under no obligation to meet the requirements of the London Stock Exchange 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 6 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 9 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.

DIRECTORS' REPORT
(continued)

Charitable donations

During the year the group made charitable contributions totalling £14,141.

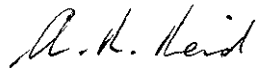
Political donations

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

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



Secretary

October 1, 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF
LITHGOWS LIMITED

We have audited the financial statements on pages 9 to 34 which have been prepared under the accounting policies set out on pages 15 to 17.

Respective responsibilities of directors and auditors

As described on page 6 the 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, 1996 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
Registered Auditors
Chartered Accountants

Glasgow
October 1, 1997

LITHGOWS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1996

9.

	Notes	1996 £'000	1996 £'000	1995 £'000	1995 £'000
TURNOVER	1				
Continuing operations		32,601		23,165	
Discontinued operations		-		5,506	
			32,601		28,671
Cost of sales - ongoing	2	(26,654)		(23,704)	
- exceptional		(1,404)		-	
			(28,058)		(23,704)
Gross profit			4,543		4,967
Other operating income & charges	2		(6,001)		(6,211)
OPERATING (LOSS)/PROFIT	3				
Continuing operations		(1,458)		(1,338)	
Discontinued operations		-		94	
			(1,458)		(1,244)
EXCEPTIONAL ITEMS					
Profit on disposal of discontinued operations		-		2,371	
Provision for loss on operations to be discontinued	10	(1,818)		-	
Profit on disposal of fixed assets		-		180	
			(1,818)		2,551
Interest	5 & 6		(149)		(150)
(Loss)/profit on ordinary activities before taxation			(3,425)		1,157
Taxation	7		(7)		46
(Loss)/profit on ordinary activities after taxation			(3,432)		1,203
Minority interests			9		-
(Loss)/profit for the financial year			(3,423)		1,203
Dividends - including non equity interests	8		(235)		(237)
(Loss)/profit for year			(3,658)		966

There were no recognised gains or losses other than the (loss)/profit for the financial year.

OPERATING LOSS

At the year-end a decision had been taken to withdraw from the brickmaking operations of the Group. A sale has been completed during 1997, with provision for losses associated with these discontinuing operations being disclosed as an exceptional item. However, under the terms of FRS3 the 1996 results for these operations are shown under the heading of "Continuing Operations". In order to reflect the effect of this decision on the reported results, the turnover and operating profit of the continuing activities of the Group have been analysed below between continuing operations excluding the brickmaking operations and brickmaking.

	1996 Turnover £'000	1996 Operating Profit/(Loss) £'000	1995 Turnover £'000	1995 Operating Profit/(Loss) £'000
Continuing operations excluding brickmaking	29,118	(1,006)	19,192	(1,208)
Brickmaking	3,483	(452)	3,973	(130)
Total	32,601	(1,458)	23,165	(1,338)

The notes on pages 15 to 34 form part of these financial statements.

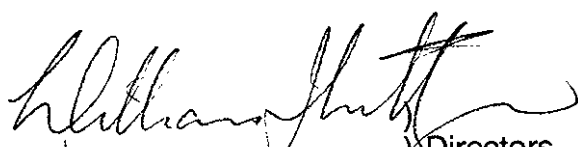
**STATEMENT OF RETAINED RESERVES
AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1996**

<u>Group</u>	<u>Profit and loss account</u> £'000	<u>Reval- uation surplus</u> £'000	<u>Other reserves</u> £'000	<u>Capital redemption reserves</u> £'000	<u>Total reserves</u> £'000	<u>Called-up share capital</u> £'000	<u>Total share- holders funds</u> £'000
At January 1, 1996	9,383	2,626	134	325	12,468	1,354	13,822
Movements in year:							
Amortisation of revaluation surplus	34	(34)	-	-	-	-	-
Goodwill written off	(135)	-	-	-	(135)	-	(135)
Loss for the year	(3,658)	-	-	-	(3,658)	-	(3,658)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 1996	5,624	2,592	134	325	8,675	1,354	10,029
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Attributable to:							
Equity interests							9,379
Non equity interests							650
							<u> </u>
							10,029
							<u> </u>
<u>Company</u>							
At January 1, 1996	6,494	-	-	325	6,819	1,354	8,173
Movements in year:							
Unrealised exchange loss	(37)	-	-	-	(37)	-	(37)
Loss for the year	(2,539)	-	-	-	(2,539)	-	(2,539)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 1996	3,918	-	-	325	4,243	1,354	5,597
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Attributable to:							
Equity interests							4,947
Non equity interests							650
							<u> </u>
							5,597
							<u> </u>

The notes on pages 15 to 34 form part of these financial statements.

GROUP BALANCE SHEET AT DECEMBER 31, 1996

	<u>Notes</u>	<u>£'000</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Fixed assets:				
Tangible assets	9	12,539		11,235
Investments:	10			
Associated undertakings		30		-
Unlisted investments		58		108
		<hr/>		<hr/>
			12,627	11,343
			<hr/>	<hr/>
Current assets:				
Stocks and work-in-progress	11	6,342		7,433
Debtors	12	6,109		5,571
Cash at bank and in hand	13	1,563		1,000
		<hr/>		<hr/>
		14,014		14,004
Creditors: amounts falling due within one year	14	(13,630)		(9,166)
		<hr/>		<hr/>
Net current assets			384	4,838
			<hr/>	<hr/>
Total assets less current liabilities			13,011	16,181
Creditors: amounts falling due after more than one year	15		(1,650)	(1,699)
Provision for liabilities and charges	18		(184)	(115)
Minority interests (including non equity interests)	19		(576)	(345)
Accruals and deferred income:				
Deferred grants			(572)	(200)
			<hr/>	<hr/>
			10,029	13,822
			<hr/>	<hr/>
Capital and reserves:				
Called up share capital (including non equity interests)	20		1,354	1,354
Reserves			8,675	12,468
			<hr/>	<hr/>
			10,029	13,822
			<hr/>	<hr/>

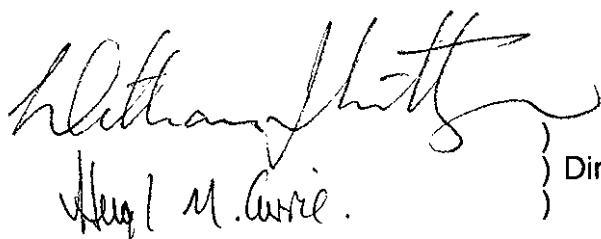

 Robert M. Currie. Directors

October 1, 1997

The notes on pages 15 to 34 form part of these financial statements.

COMPANY BALANCE SHEET AT DECEMBER 31, 1996

	<u>Notes</u>	<u>£'000</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Fixed assets:				
Tangible assets	9	191		154
Investments:	10			
Subsidiary undertakings		9,647		8,941
Associated undertakings		30		-
Unlisted investments		50		100
		<hr/>		<hr/>
			9,918	9,195
			<hr/>	<hr/>
Current assets:				
Debtors	12	199		402
Cash at bank and in hand		256		243
		<hr/>		<hr/>
		455		645
Creditors: amounts falling due within one year	14	(4,776)		(1,593)
		<hr/>		<hr/>
Net current liabilities			(4,321)	(948)
			<hr/>	<hr/>
Total assets less current liabilities			5,597	8,247
Creditors: amounts falling due after more than one year	15		-	(74)
			<hr/>	<hr/>
			5,597	8,173
			<hr/>	<hr/>
Capital and reserves:				
Called up share capital (including non equity interests)	20		1,354	1,354
Reserves			4,243	6,819
			<hr/>	<hr/>
			5,597	8,173
			<hr/>	<hr/>



} Directors

October 1, 1997

The notes on pages 15 to 34 form part of these financial statements.

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1996**

	Notes	£'000	1996 £'000	1995 £'000
Net cash inflow/(outflow) from operating activities	21		2,927	(1,858)
Returns on investments and servicing of finance				
Interest received		177		121
Overdraft interest paid		(180)		(68)
Finance lease interest paid		(44)		(106)
Loan interest paid		(102)		(97)
Dividends paid		(237)		(234)
Net cash (outflow) from returns on investments and servicing of finance			(386)	(384)
			2,541	(2,242)
Taxation				
U.K. corporation tax (paid)/recovered			(68)	56
			2,473	(2,186)
Investing activities				
Purchase of fixed assets		(2,494)		(3,677)
Sale of fixed assets		41		1,426
Receipt of grant		458		68
Capital receipt from finance lease		138		125
Acquisition of assets	22	(252)		(475)
Sale of business		-		3,862
Investment in associated undertaking		(30)		-
Purchase of unlisted investments		-		(24)
Sale of unlisted investments		50		-
			(2,089)	1,305
Net cash inflow/(outflow) before financing			384	(881)
Financing				
Net loan receipts	16	178		907
Capital element of finance lease rentals	17	(463)		(480)
Capital receipt from minority interests	19	240		-
Net cash (outflow)/inflow from financing			(45)	427
Increase/(decrease) in cash and cash equivalents	13		339	(454)

The notes on pages 15 to 34 form part of these financial statements.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>1996</u> £'000	<u>1995</u> £'000
REPORTED (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(3,425)	1,157
Realisation 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	23	26
HISTORICAL COST (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(3,402)</u>	<u>2,373</u>
HISTORICAL COST (LOSS)/PROFIT RETAINED	<u>(3,635)</u>	<u>2,182</u>

The notes on pages 15 to 34 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.

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%

ACCOUNTING POLICIES

(continued)

Stocks and work-in-progress

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

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

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

Long-term contracts

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

Deferred taxation

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

Grants

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

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.

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 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, 19961. Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of value added tax, together with the value of work completed in respect of long-term contracts in progress at the year-end. The turnover is attributable to the following activities:-

	<u>1996</u> £'000	<u>1995</u> £'000
Marine and shipowning	11,349	7,268
Primary production	4,519	3,914
Manufacturing and contracting	16,733	11,983
Discontinued activity	-	5,506
	<hr/>	<hr/>
	32,601	28,671
	<hr/>	<hr/>

Analysis of turnover by geographical area:

	<u>1996</u> £'000	<u>1995</u> £'000
U.K.	29,618	25,373
E.C.	877	1,203
Other Europe	162	94
U.S.A. and Canada	268	757
Asia and Australasia	874	846
South America	802	398
	<hr/>	<hr/>
	32,601	28,671
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**2. Cost of sales/other operating income and charges**

	<u>1996</u> <u>Total</u> £'000	<u>1995</u> <u>Continuing</u> £'000	<u>1995</u> <u>Discontinued</u> £'000	<u>1995</u> <u>Total</u> £'000
Cost of sales:				
Exceptional losses	(1,404)	-	-	-
Other cost of sales	(26,654)	(19,095)	(4,609)	(23,704)
Total cost of sales	(28,058)	(19,095)	(4,609)	(23,704)
Other operating income and charges:				
Distribution costs	(716)	(600)	-	(600)
Administrative costs	(5,569)	(5,096)	(812)	(5,908)
Other operating income	284	288	9	297
	(6,001)	(5,408)	(803)	(6,211)

Following the acquisition of the shipyard business and assets in Buckie in 1995, and the formation of Buckie Shipyard Limited, it was the intention to concentrate on repair activities and to be less reliant on the building of new vessels than had been the case of previous companies which operated the business. However, pending the build up of repair activity, two newbuild contracts were accepted, one being the completion of a fishing vessel which was in the process of being built in the shipyard when the previous operators went into receivership. By the time these contracts were entered into, subsequent events have shown that there had been insufficient time to fully remove the poor working practices and problems which were identified when the business was acquired. As a result these contracts have proved to have been onerous contracts.

With a lack of newbuild orders and increased competition from abroad, there has been a significant lack of work available to Campbletown Shipyard Limited at prices which will ensure reasonable margins to be obtained. As a result, a contract was accepted which has proved to be onerous.

The exceptional losses arising from these contracts have been separately disclosed.

3. Operating (loss)/profit

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

	<u>1996</u> £'000	<u>1995</u> £'000
Items charged:		
Directors' emoluments	398	441
Auditors' remuneration - audit services	78	78
Auditors' remuneration - non-audit services	9	21
Depreciation of owned assets	1,149	977
Depreciation of assets held under finance leases and hire purchase contracts	328	324
Operating lease rentals - plant & machinery	160	112
Operating lease rentals - land & buildings	336	352
Research and development	50	73
Items credited:		
Net rental income	7	9
Release from deferred grants	131	176
Income from unlisted investments	-	7
Gain on sale of fixed assets	34	31

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 19963. Operating (loss)/profit
(continued)

(b) Directors' emoluments

	<u>1996</u> £'000	<u>1995</u> £'000
Fees	45	40
Other emoluments (including pension contributions)	353	401
	<hr/>	<hr/>
	398	441
	<hr/>	<hr/>

Excluding pension contributions, the emoluments of the chairman were £93,843 (1995 - £93,795). The emoluments of the highest paid director (excluding pension contributions) were £93,843 (1995 - £103,637).

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

	No.	No.
£5,001 - £10,000	3	2
£20,001 - £25,000	1	1
£30,001 - £35,000	1	-
£40,001 - £45,000	-	1
£50,001 - £55,000	1	-
£60,001 - £65,000	1	1
£70,001 - £75,000	-	1
£80,001 - £85,000	1	-
£90,001 - £95,000	1	1
£100,000 - £105,000	-	1

4. Staff costs

	<u>1996</u> £'000	<u>1995</u> £'000
Wages and salaries	8,816	9,061
Social security costs	760	726
Other pensions costs	349	435
	<hr/>	<hr/>
	9,925	10,222
	<hr/>	<hr/>

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

	<u>1996</u> No.	<u>1995</u> No.
Directors	9	8
Office and management	131	143
Other	432	596
	<hr/>	<hr/>
	572	747
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**5. Interest receivable**

	<u>1996</u> £'000	<u>1995</u> £'000
On bank deposits	95	85
On other loans	40	7
On finance leases	42	29
	<hr/>	<hr/>
	177	121

6. Interest payable

	<u>1996</u> £'000	<u>1995</u> £'000
Bank loans and overdrafts and other loans wholly repayable within five years	(180)	(68)
Finance charges payable under finance leases and hire purchase contracts	(44)	(106)
Loans not wholly repayable within five years	(102)	(97)
	<hr/>	<hr/>
	(326)	(271)

7. Taxation on (loss)/profit on ordinary activities

	<u>1996</u> £'000	<u>1995</u> £'000
The taxation (charge)/credit represents:		
Corporation tax (payable) at 33% (1995 - 33%)	(15)	(37)
Transfer (to)/from deferred taxation	(69)	52
	<hr/>	<hr/>
	(84)	15
Other items:		
Corporation tax - over provision in prior years	77	31
	<hr/>	<hr/>
	(7)	46

8. Dividends

	<u>1996</u> £'000	<u>1995</u> £'000
Equity interests		
Ordinary dividend - interim paid £13.125 per share (1995 - £13.125 per share)	84	84
Preferred ordinary dividend - interim paid £13.125 per share (1995 - £13.125)	8	8
Ordinary dividend - final proposed £13.125 per share (1995 - £13.125 per share)	84	84
Preferred ordinary dividend - final proposed £15.75 per share (1995 - £17.935 per share)	10	12
	<hr/>	<hr/>
	186	188
Non equity interests		
Preference dividend - paid	49	49
	<hr/>	<hr/>
	235	237

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 19969. Tangible fixed assets

<u>Company</u>	<u>Freehold property £'000</u>	<u>Machinery, plant, vehicles and fittings £'000</u>	<u>Total £'000</u>
Cost:			
At January 1, 1996	351	298	649
Additions	-	82	82
Group transfers	-	(19)	(19)
Disposals	-	(90)	(90)
	<hr/>	<hr/>	<hr/>
At December 31, 1996	351	271	622
	<hr/>	<hr/>	<hr/>
Depreciation:			
At January 1, 1996	255	240	495
Charge for the year	1	40	41
Group transfers	-	(15)	(15)
Disposals	-	(90)	(90)
	<hr/>	<hr/>	<hr/>
At December 31, 1996	256	175	431
	<hr/>	<hr/>	<hr/>
Net book value:			
At January 1, 1996	96	58	154
	<hr/>	<hr/>	<hr/>
At December 31, 1996	95	96	191
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**9. Tangible fixed assets**
(continued)

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

	<u>Freehold property</u> £'000	<u>Freehold, slipways and jetties</u> £'000	<u>Total</u> £'000
Historical cost:			
At January 1, 1996 and December 31, 1996	634	102	736
	<hr/>	<hr/>	<hr/>
Depreciation based on cost:			
At January 1, 1996	122	42	164
Charge for the year	5	3	8
	<hr/>	<hr/>	<hr/>
At December 31, 1996	127	45	172
	<hr/>	<hr/>	<hr/>
Net historical cost value:			
At January 1, 1996	512	60	572
	<hr/>	<hr/>	<hr/>
At December 31, 1996	507	57	564
	<hr/>	<hr/>	<hr/>

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

	<u>Company</u> £'000	<u>Group</u> £'000
Net book value:		
At January 1, 1996	26	811
	<hr/>	<hr/>
At December 31, 1996	4	375
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 199610. Investments(a) Subsidiary undertakings:

<u>Company</u>	<u>1996</u> £'000	<u>1995</u> £'000
Investment in subsidiary undertakings comprises:		
Cost	9,192	5,680
Amounts written off	(1,880)	(254)
Amounts due by subsidiaries, less provisions	6,112	5,910
Amounts due to subsidiaries	(3,777)	(2,395)
	<hr/>	<hr/>
Net book value	9,647	8,941
	<hr/>	<hr/>

At December 31, 1996, 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, Aquaculture Diagnostics Limited which is 75.1% and Knapdale Shipping (Campbeltown) Limited which is 60% owned. Companies not audited by the parent company auditors are indicated by (+).

Since the year-end, the beneficial interests held in The Glasgow Iron & Steel Company Limited have been sold. The provision in respect of losses arising from the operations of this company and its disposal has been charged in 1996 as an exceptional item.

<u>Nature of Business</u>	<u>Company</u>
Primary Production:	Lithgows Pty Limited+ (incorporated in Australia) Landcatch Limited Ormsary Fish Farms Limited* Inver Lochs Limited* Argyll Salmon 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 Knapdale Shipping (Campbeltown) 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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 199610. Investments
(continued)

(b) Associated undertakings

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

	<u>Company</u> £'000	<u>Group</u> £'000
Cost:		
At January 1, 1996	-	75
Additions	30	30
	<hr/>	<hr/>
Total December 31, 1996	30	105
	<hr/>	<hr/>
Amounts written off:		
At January 1, 1996 and December 31, 1996	-	75
	<hr/>	<hr/>
Net book value:		
At January 1, 1996	-	-
	<hr/>	<hr/>
At December 31, 1996	30	30
	<hr/>	<hr/>

(c) Unlisted investments

Unlisted investments comprise:

	<u>Company</u> £'000	<u>Group</u> £'000
Cost:		
At January 1, 1996	114	219
Disposals	(50)	(50)
	<hr/>	<hr/>
At December 31, 1996	64	169
	<hr/>	<hr/>
Amounts written off:		
At January 1, 1996 and December 31, 1996	14	111
	<hr/>	<hr/>
Net book value:		
At January 1, 1996	100	108
	<hr/>	<hr/>
At December 31, 1996	50	58
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**11. Stocks and work-in-progress**

	<u>Group</u>	
	<u>1996</u>	<u>1995</u>
	£'000	£'000
Raw materials and consumables	1,448	1,785
Work-in-progress	1,217	2,018
Work-in-progress payments received on account	(212)	(1,218)
Finished goods and goods for resale	1,369	1,205
Livestock	2,520	3,643
	—	—
	<u>6,342</u>	<u>7,433</u>

12. Debtors

	<u>Company</u>		<u>Group</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Trade debtors	18	11	4,816	4,511
Other debtors	22	57	615	338
Prepayments and accrued income	84	98	518	454
Current corporation tax	-	23	85	55
Amounts due from finance leases	75	213	75	213
	—	—	—	—
	<u>199</u>	<u>402</u>	<u>6,109</u>	<u>5,571</u>

Included in the above figure of amounts due from finance leases is an amount of £Nil (1995 -£75,000) which is not due within one year.

13. Cash and cash equivalents

	<u>Group</u>				
	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>Change in</u>	<u>Change in</u>
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,563	1,000	1,136	563	(136)
Bank overdrafts	(738)	(514)	(196)	(224)	(318)
	—	—	—	—	—
	<u>825</u>	<u>486</u>	<u>940</u>	<u>339</u>	<u>(454)</u>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**14. Creditors: amounts falling due within one year**

	<u>Company</u>		<u>Group</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Bank overdrafts	3,246	503	738	514
Finance lease and hire purchase creditor (note 17)	74	145	199	424
Current instalments due on loans (note 16)	-	-	437	301
Trade creditors	20	24	4,291	4,220
Current corporation tax	3	3	93	193
Other taxes and social security costs	53	39	375	420
Other creditors	731	200	3,577	1,069
Accruals	182	220	1,789	1,328
Group development and relocation provisions	373	363	608	601
Long-term contracts - payments to account	-	-	1,429	-
Proposed dividend	94	96	94	96
	<u>4,776</u>	<u>1,593</u>	<u>13,630</u>	<u>9,166</u>

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

	<u>Company</u>		<u>Group</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Loans (note 16)	-	-	1,470	1,428
Obligations under finance leases and hire purchase contracts (note 17)	-	74	107	271
Other creditors	-	-	73	-
	<u>-</u>	<u>74</u>	<u>1,650</u>	<u>1,699</u>

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 199616. Loans

	<u>1996</u> £'000	<u>Group</u> <u>1995</u> £'000
Loans are repayable as follows:		
Not wholly repayable within five years	1,194	1,385
Wholly repayable within five years	713	344
	<hr/> 1,907	<hr/> 1,729
Instalments due:		
after five years	221	397
between two and five years	805	727
between one and two years	444	304
	<hr/> 1,470	<hr/> 1,428
within one year (note 14)	437	301
	<hr/> 1,907	<hr/> 1,729
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	319	347
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	306	374
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	569	664
	<hr/> 1,194	<hr/> 1,385
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	232	344
Variable rate loan repayable in monthly instalments of £4,980, including interest, commencing in November 1996, secured by a bond and floating charge over the whole assets of the recipient subsidiary	243	-
8.075% loan repayable in quarterly instalments of £24,282, including interest, commencing in July 1996, guaranteed by the parent company	238	-
	<hr/> 1,907	<hr/> 1,729
Analysis of changes in loan financing:		
At January 1	1,729	989
New loans	500	1,014
Capital element of repayments	(322)	(107)
Loans transferred on sale of business	-	(167)
	<hr/> 1,907	<hr/> 1,729

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 199617. Obligations under leases and hire purchase contracts

	<u>Company</u>		<u>Group</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Amounts due within one year	77	162	219	457
Amounts due within two to five years	-	77	114	311
	—	—	—	—
	77	239	333	768
Less finance charges allocated to future periods	(3)	(20)	(27)	(73)
	—	—	—	—
	74	219	306	695
	==	==	==	==
The above shown as:				
Current obligations (note 14)	74	145	199	424
Non-current obligations (note 15)	-	74	107	271
	—	—	—	—
	74	219	306	695
	==	==	==	==
Analysis of changes:				
At January 1			695	1,190
New contracts			74	79
Capital element of repayments			(463)	(480)
Contracts transferred on sale of business			-	(94)
			—	—
At December 31			306	695
			==	==

Annual commitments under non cancellable operating leases:

<u>Group</u>	<u>Land & Buildings</u>		<u>Other</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	43	32	20	3
Within the second to fifth years inclusive	26	-	102	133
Over five years	259	282	-	-
	—	—	—	—
	328	314	122	136
	==	==	==	==

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**18. Provisions for liabilities and charges**

<u>Group</u>	<u>Deferred Taxation</u> £'000
At January 1, 1996	115
Arising during the year (note 7)	69
	—
At December 31, 1996	184
	==

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

<u>Group</u>	<u>Provision</u>		<u>Potential</u>	
	<u>1996</u> £'000	<u>1995</u> £'000	<u>1996</u> £'000	<u>1995</u> £'000
Accelerated capital allowances	202	103	238	343
Other timing differences	(18)	12	(427)	(498)
	—	—	—	—
	184	115	(189)	(155)
	==	==	==	==

The total potential liability for deferred taxation has been reduced by deferred tax assets of £373,000 (1995 - £270,000) in various group companies which have not been included in the amount provided.

<u>Company</u>	<u>Provision</u>		<u>Potential</u>	
	<u>1996</u> £'000	<u>1995</u> £'000	<u>1996</u> £'000	<u>1995</u> £'000
Accelerated capital allowances	-	-	(38)	26
Other timing differences	-	-	(175)	(227)
	—	—	—	—
Deferred asset	-	-	(213)	(201)
	==	==	==	==

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**19. Minority interests**

	<u>1996</u> £'000	<u>1995</u> £'000
At January 1	345	345
Minority interest share of losses	(9)	-
Shares subscribed by minority interests - equity	80	-
Shares subscribed by minority interests - non equity	160	-
	<hr/>	<hr/>
At December 31	576	345
	<hr/>	<hr/>
Equity interest	416	345
Non equity interest	160	-
	<hr/>	<hr/>
	576	345
	<hr/>	<hr/>

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

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

20. Share capital

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised:		
Equity interests - 9,346 ordinary shares of £100 each (1995:9,346)	935	935
- 654 preferred ordinary shares of £100 each (1995:654)	65	65
Non equity interests - 1,000,000 7.5% preference shares of £1 each (1995 - 1,000,000)	1,000	1,000
	<hr/>	<hr/>
	2,000	2,000
	<hr/>	<hr/>
Allotted, issued and fully paid:		
Equity interests - 6,390 ordinary shares of £100 each (1995:6,390)	639	639
- 654 preferred ordinary shares of £100 each (1995:654)	65	65
Non equity interests - 650,000 7.5% preference shares of £1 each	650	650
	<hr/>	<hr/>
	1,354	1,354
	<hr/>	<hr/>

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

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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 199621. Net cash inflow/(outflow) from operating activities

	<u>1996</u> £'000	<u>1995</u> £'000
Operating (loss)	(1,458)	(1,338)
Depreciation	1,477	1,245
Gain on sale of fixed assets	(34)	(31)
Decrease/(increase) in stocks	1,133	(2,072)
(Increase)/decrease in debtors	(601)	407
Increase in creditors	2,541	1,614
Release from deferred grants	(131)	(167)
Provision against investments	-	19
	—	—
Net cash inflow/(outflow) from continuing operating activities	2,927	(323)
Net cash inflow/(outflow) in respect of discontinued activities	-	(1,535)
	—	—
Net cash inflow/(outflow) from operating activities	2,927	(1,858)
	=====	=====

22. Analysis of assets acquired

During the year the group acquired, via one of its subsidiaries, the business and assets of a salmon hatchery. The undernoted assets were acquired, with £145,000 of the consideration being deferred. The profits earned and cash generated by this business have been included in the results of the acquiring company.

	<u>1996</u> £'000
Tangible assets	220
Intangible assets	135
Stocks and work-in-progress	42
	—
	397
	=====

23. Related parties

During the year companies within the group were involved in contracts with Ormsary Farmers and Inver Farmers. These are partnerships in which Sir William Lithgow, a shareholder in the parent company, holds an interest. In addition, there are trusts which are members of these partnerships in which Sir William Lithgow and Lady Lithgow are trustees for James Lithgow, a director of the holding company, who is a beneficiary. These contracts were on an arms length basis and were in respect of the provision of services by Ormsary Farmers to rear fish stocks at Ormsary, Argyll and in the provision of electrical contracting to Ormsary Farmers and Inver Farmers. Payments in respect of these contracts totalled £1,416,643 and £79,414 respectively. At the balance sheet date an amount of £57,203 was due to Ormsary Farmers and a balance of £11,896 was due by Ormsary Farmers.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1996**24. Capital commitments**

	<u>Company</u>		<u>Group</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Contracted for but not provided in these financial statements	-	-	1,633	16
	=====	=====	=====	=====

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

25. Contingent liabilities

There were no contingent liabilities at either December 31, 1996 or December 31, 1995.

26. 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 £349,435 (1995 - £434,586).