



*Annual Report & Accounts 2005-2006*

# *Directors and Officers*

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## **Executive Directors**

- + J.C. Clark
- F.W. Forrest

## **Non-Executive Directors**

- +\* Alastair J. Ritchie, Company Director, Edinburgh - Chairman of John Swan & Sons PLC
- James D. Allen, Farmer, Longnewton, St Boswells
- George R. Forbes, Farmer, Georgefield, Coldstream
- +\* George T. Neill, Farmer, Downham, Mindrum - Chairman of John Swan Limited

## **Secretaries, Registrars and Registered Office**

Geoghegan & Co, C.A.  
6 St Colme Street, Edinburgh EH3 6AD

## **Registered Auditors**

Scott-Moncrieff, Chartered Accountants,  
17 Melville Street, Edinburgh EH3 7PH

- + *Member of Audit Committee*
- \* *Member of Remuneration Committee*

## *Statement by the Chairman* *John Swan and Sons PLC*

Our results for the year are reported under new Financial Reporting Standards. In our case, there is a particular effect relating to the treatment of the funding of pension schemes. Accordingly, the following summary may be helpful in understanding the underlying trading performance.

	2006	2005 (Restated)	2005 (As reported)
<b>(Loss)/profit before tax</b>			
John Swan Limited	72,784	39,542	39,542
John Swan & Sons PLC	(169,590)	4,052,251	4,052,251
FRS 17 pension adjustments	(29,000)	(15,000)	-
(Loss)/profit before tax	<u>£ (125,806)</u>	<u>£ 4,076,793</u>	<u>£ 4,091,793</u>

In line with recent practice, the Chairman of John Swan Limited reports below on matters relating to the auction mart. It is gratifying to see progress being made. The loss in John Swan & Sons PLC relates primarily to the expenses of maintaining our status as an AIM-quoted company. In addition, the PLC company continues to incur professional costs associated with our strategy of making sure shareholders derive as much benefit as possible from the added value in our property assets, whether in use or not.

We continue to make progress with our strategy of realising assets with the aim of optimising shareholder value. As I reported at the half year, we have concentrated on potential property and relocation developments at St Boswells. Many shareholders will be aware through the press of the development plans for St Boswells and the crucial part which the mart site could play in these.

At this stage, it is difficult to predict the outcome but shareholders should be aware that the Board will continue to balance the various vested interests whilst mindful overall of shareholder value. Shareholders will be kept informed as these developments proceed.

Meanwhile, the Board is pleased to declare a final dividend for the current financial year of 15p per ordinary share to be paid on 1 September 2006 to shareholders on the register at 4 August 2006. The ex dividend date will be 2 August 2006. This, along with the earlier interim dividend paid in March 2006, amounts to a dividend for the year of 30p per ordinary share (2005: 30p).

Alastair J. Ritchie  
*Chairman*

## *Statement by the Chairman* *John Swan Limited*

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Our customers have continued to demonstrate their confidence in the auction system during this past year, which has resulted in an increase of 5.1% in sheep throughput with cattle numbers maintained.

One of the most important developments concerning prime cattle sales during the year has been the resumption of “over 30 month” beef being eligible for the food chain. There has been a significant increase in the value of older cattle and this has been reflected in the increased prices achieved for breeding cattle throughout the spring.

Beef cattle have been trading at a significantly higher level to that of last year and indications are that the current price levels should continue. However, this may be governed by foreign imports.

Our weekly primestock sale at St Boswells has maintained its principal position in that sector and our market share at Wooler is continuing to recover. It has to be emphasised, however, that legislation continues adversely to affect livestock trading south of the Border.

It is gratifying to report that ever-increasing numbers of sheep producers are returning to sell their produce by auction. This underlines the security of the auction system, which guarantees payment to producers in addition to providing a facility for wholesalers to purchase livestock which meets their specification.

As the ramifications of the Single Farm Payment system become clearer, more agricultural properties are now being exposed for sale and our property and estate agency division continues to be active.

Despite incurring a bad debt in the processing sector immediately prior to the year end, for which full provision has been made in these accounts, I am pleased to report that the company has returned a trading profit (profit before FRS 17 pension adjustments and taxation) of £73,000 compared to £40,000 last year.

On behalf of the Board of John Swan Limited, I wish to commend the staff for their efforts in ensuring that the company continues to address the challenges currently facing the livestock industry. An efficient auction system, which provides a transparent price setting system, must continue to be a marketing choice for producers.

George T. Neill  
*Chairman*

# *Report of the Directors*

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The directors present their report and the audited financial statements of John Swan & Sons PLC for the year ended 30 April 2006.

The Group acts as auctioneers, livestock agents, valuers and estate agents and operates livestock auction marts in Newtown St Boswells and Wooler.

## **Results and Dividends**

The loss for the year after taxation amounted to £241,340. The dividends paid during the year are shown in Note 11.

The proposed final dividend is 15p per ordinary share of 25p.

## **Post Balance Sheet Events**

There have been no significant events affecting the Group since 30 April 2006.

## **Fixed Assets**

Group capital expenditure amounted to £50,871 compared with £106,748 during the previous year.

The directors are of the opinion that the market value of land and buildings is significantly in excess of the book value. In the absence of a recent valuation the difference cannot be quantified.

## **Directors and their Interests**

The directors of the company are shown on page 1.

Mr AJ Ritchie and Mr GR Forbes retire by rotation and being eligible offer themselves for re-election.

# *Report of the Directors* continued

## Directors and their Interests - Continued

The interests of the directors in the share capital of the company at the year end were:

	DEFERRED SHARES		ORDINARY SHARES	
	at 30 April 2006	at 1 May 2005	at 30 April 2006	at 1 May 2005
Beneficial:				
Mr J.D. Allen	-	-	2,100	2,100
Mr J.C. Clark	-	80,000	8,798	8,798
Mr G.R.Forbes	-	-	600	600
Mr F.W. Forrest	-	20,000	1,500	1,500
Mr G.T. Neill	-	-	1,000	1,000
Mr A.J. Ritchie	-	-	4,750	4,750

On 26 October 2005, Mr JC Clark and Mr FW Forrest sold their deferred shares to the John Swan Employee Benefit Trust for 33p per share.

Between 30 April 2006 and 14 July 2006 there have been no changes in the interests of the directors in the shares of the company. No director had an interest at any time during the year in any contract of significance to the company's business.

## Auditors

A resolution to re-appoint Scott-Moncrieff as auditors of the company will be put to the Annual General Meeting.

## Share Capital

Notification has been received in respect of the following holdings which are in excess of 3 per cent of the issued ordinary share capital of the company at 30 April 2006:

Value Investments Limited	10.04 per cent
The Hon Peregrine Moncreiffe, Easter Moncreiffe, Perthshire	8.16 per cent
Peter S Allen, House of Shaws, Midhurst	3.13 per cent

## Payment of Consignors

It is Group policy that all consignors of stock for sale in the markets are paid within a maximum period of 7 days.

## Corporate Governance

The Group remains committed to high standards of corporate governance and supports the principles laid down in the Combined Code on Corporate Governance appended to the Listing Rules of the UK Listing Authority (the "Combined Code"). Taking into account the size of the Group it is not always possible to fulfil the commitments in their entirety. The main exceptions are noted under the respective headings below.

# *Report of the Directors* *continued*

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## **The Board**

The Board consists of executive and non-executive directors all of whom are required to retire and submit themselves for re-election every three years. By nature of the fact that the non-executive directors may be farmers they are often customers of the Group. Their terms of trade are exactly the same as any other customer.

In September 2005, Mr Clark and Mr Forrest entered into written service contracts with John Swan Limited. The terms of these contracts, including provisions relating to salaries and benefits, largely reflect the arrangements which have been in place with senior management on an informal basis for a number of years. The principal difference relates to the termination provisions, which now operate such that John Swan Limited has the right to terminate on 12 months' prior written notice to each senior manager whereas each senior manager has the right to terminate on 6 months' prior written notice to John Swan Limited.

It is not considered necessary to provide biographical details for each director.

## **Directors' Remuneration**

Details of the remuneration of each director serving during the year are set out in note 4 to the financial statements. The company has set up a remuneration committee, the members of which are noted on page 1. The aim of the committee with reference to executive directors' remuneration is to align individual reward and incentives directly with the performance of the Group and to provide a remuneration package sufficient to attract, retain and motivate executive directors. The typical elements of executive directors' remuneration packages are basic salary, benefits in kind, commission and pension. The executive directors' salaries are reviewed annually once the trading results for the preceding financial year are known.

## **Indemnity Arrangements**

Since 25 October 2005, the Company has had in place qualifying third party indemnity provisions for its directors.

## **Relations with Shareholders**

Many shareholders are also customers and therefore there is an ongoing dialogue throughout the year. Shareholders have the opportunity of attending the annual general meeting which includes a short presentation on the business and its latest trading position.

## **Accountability and Audit**

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

## **Internal Control**

The Board of Directors has overall responsibility for the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Directors meets bi-monthly and exercises control over strategic financial and operational matters. The executive directors meet monthly and involve themselves in the day to day management of the Group with particular emphasis given to the control of debts.

The Board has reviewed the effectiveness of the system of internal control in operation during the financial year, including financial controls, operational controls and risk management.

# *Report of the Directors* continued

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## **Audit Committee and Auditors**

The Board of Directors requests the Auditors to report annually on their findings as a result of the audit. The Audit Committee is responsible for implementing these recommendations. In as much as Mr Clark is an executive director the composition of the Audit Committee does not comply with the Combined Code. The directors consider that the present members of the Committee are appropriate for the Group's circumstances.

## **Statement of Directors' Responsibilities**

The following statement, which should be read in conjunction with the report of the auditors set out on pages 8 and 9, describes the responsibilities of the directors in relation to these financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the year and of the profit or loss for the year.

The directors are of the opinion that, in preparing the financial statements on pages 10 to 31 inclusive, the Group has used appropriate and consistently applied accounting policies supported by reasonable and prudent estimates and judgements. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the Group keeps accounting records which disclose, with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors also have responsibility for safeguarding the assets of the Group and for taking reasonable steps to ensure the prevention and detection of fraud and other irregularities.

## **Disclosure of information to auditors**

As far as each of the directors at the time the report is approved are aware:

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

BY ORDER OF THE BOARD

GEOGHEGAN & CO  
Secretaries

*14 July 2006*

Note: The value for Capital Gains Tax purposes of the ordinary shares of the company as at 31 March 1982 was 92.5 pence per share.

# *Independent Auditors' Report to the Shareholders of John Swan and Sons PLC*

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We have audited the financial statements of John Swan & Sons plc for the year ended 30 April 2006 set out on pages 10 to 31. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 15 and 16.

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

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We report to you whether in our opinion the information given in the directors' report and the Chairman's statement is consistent with the financial statements.

## **Basis of audit opinion**

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



# *Independent Auditors' Report to the Shareholders of John Swan and Sons PLC* *continued*

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## **Opinion**

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and the company as at 30 April 2006 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

SCOTT-MONCRIEFF  
Registered Auditor  
Chartered Accountants

17 Melville Street  
Edinburgh EH3 7PH

*14 July 2006*

# Consolidated Profit and Loss Account

for the year ended 30 April 2006

	Notes	2006	2005 (restated)
<i>Turnover: Group and share of joint venture</i>	1,443,718		2,164,573
<i>Less: share of joint venture turnover</i>	-		(739,022)
<b>Turnover</b>	2	<u>£ 1,443,718</u>	<u>£ 1,425,551</u>
Staff costs	3	931,831	973,068
Depreciation	5	106,711	104,108
Other operating charges		<u>804,824</u>	<u>670,164</u>
		<u>1,843,366</u>	<u>1,747,340</u>
<b>Operating loss</b>	5	(399,648)	(321,789)
Share of operating (loss)/profit in joint venture		<u>(366)</u>	<u>8,965</u>
		<u>(400,014)</u>	<u>(312,824)</u>
Exceptional items	6	-	<u>4,234,426</u>
<b>(Loss)/profit on ordinary activities before interest and taxation</b>		(400,014)	3,921,602
Other finance income	7	105,000	105,000
Interest receivable			
Group	168,881		68,652
Joint venture	<u>1,162</u>		<u>778</u>
		<u>170,043</u>	<u>69,430</u>
Interest payable	8		
Group	(30)		(9,496)
Joint venture	<u>(805)</u>		<u>(9,743)</u>
		<u>(835)</u>	<u>(19,239)</u>
		<u>169,208</u>	<u>50,191</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(125,806)	4,076,793
Tax on (loss)/profit on ordinary activities	9	<u>(115,534)</u>	<u>(873,500)</u>
<b>(Loss)/profit for group and its share of joint venture for the financial year</b>		<u>£ (241,340)</u>	<u>£ 3,203,293</u>
<b>Earnings per share</b>	12		
Ordinary shares of 25p		(37.8)p	476.6p
Deferred shares of 12 <sup>1</sup> / <sub>2</sub> p		(18.9)p	238.3p

The consolidated profit and loss account has been prepared on the basis that all operations are continuing operations.

The consolidated profit and loss account for the year ended 30 April 2005 has been restated for the adoption of FRS17 and FRS 21 (see Note 28).

## *Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 April 2006*

	Notes	2006	2005 (restated)
(Loss)/profit for the financial year		(241,340)	3,203,293
Difference between actual and expected return on pension scheme assets	27	831,000	10,000
Experience (losses)/gains arising on pension scheme liabilities	27	(153,000)	139,000
Effects of changes in assumptions underlying the present value of pension scheme liabilities	27	(345,000)	(184,000)
Deferred tax liability associated with movement on pension scheme surplus	27	<u>(100,000)</u>	<u>10,500</u>
<b>Total recognised gains and losses relating to the year</b>		(8,340)	<u>£ 3,178,793</u>
Prior year adjustment	28	496,000	
Prior year adjustment	28	<u>200,700</u>	
<b>Total gains and losses recognised since the last annual report</b>		<u>£ 688,360</u>	

The consolidated statement of total recognised gains and losses for the year ended 30 April 2005 has been restated for the adoption of FRS 17 and FRS 21 (see Note 28).

## *Consolidated Balance Sheet* as at 30 April 2006

	Notes	2006	2005 (restated)
<b>Fixed assets</b>			
Tangible assets	13	1,858,229	1,914,831
Investment			
Investment in joint venture	14	<u>4,991</u>	<u>5,000</u>
		<u>1,863,220</u>	<u>1,919,831</u>
<b>Current assets</b>			
Stocks	15	52,581	62,579
Debtors – amounts falling due within one year	16	2,042,408	2,029,689
Cash at bank and in hand		<u>2,638,771</u>	<u>3,979,678</u>
		<u>4,733,760</u>	<u>6,071,946</u>
<b>Creditors - amounts falling due within one year</b>	17	<u>293,769</u>	<u>1,134,561</u>
<b>Net current assets</b>		<u>4,439,991</u>	<u>4,937,385</u>
<b>Total assets less current liabilities</b>		6,303,211	6,857,216
<b>Provisions for liabilities</b>	18	-	-
<b>Accruals and deferred income</b>	19	<u>18,400</u>	<u>19,200</u>
<b>Net assets excluding pension scheme assets</b>		6,284,811	6,838,016
<b>Pension scheme assets</b>	27	<u>709,000</u>	<u>496,000</u>
<b>Net assets including pension scheme assets</b>		<u>£ 6,993,811</u>	<u>£ 7,334,016</u>
<b>Capital and reserves</b>			
Called up share capital	20	168,000	168,000
Revenue reserve	21	70,000	70,000
Employee Benefit Trust reserve	21, 22	(39,815)	-
Profit and loss account	21	<u>6,795,626</u>	<u>7,096,016</u>
<b>Equity shareholders' funds</b>	23	<u>£ 6,993,811</u>	<u>£ 7,334,016</u>

The consolidated balance sheet as at 30 April 2005 has been restated for the adoption of FRS 17 and FRS 21 (see Note 28).

The financial statements on pages 10 to 31 were approved and authorised for issue by the Board on 14 July 2006 and were signed on its behalf by :

ALASTAIR RITCHIE

DIRECTOR

JACK CLARK

DIRECTOR

## *Company Balance Sheet as at 30 April 2006*

	Notes	2006	2005 (restated)
<b>Fixed assets</b>			
Tangible assets	13	1,413,315	1,448,832
Investments			
Investments in subsidiary companies	14	<u>3,000,001</u>	<u>3,000,000</u>
		<u>4,413,316</u>	<u>4,448,832</u>
<b>Current assets</b>			
Debtors – amounts falling due within one year	16	65,471	38,691
Cash at bank and in hand		<u>1,873,622</u>	<u>3,322,484</u>
		1,939,093	3,361,175
<b>Creditors</b> - amounts falling due within one year	17	<u>186,503</u>	<u>1,017,646</u>
<b>Net current assets</b>		<u>1,752,590</u>	<u>2,343,529</u>
<b>Total assets less current liabilities</b>		6,165,906	6,792,361
<b>Provisions for liabilities</b>	18	-	-
<b>Net assets</b>		<u>£ 6,165,906</u>	<u>£ 6,792,361</u>
<b>Capital and reserves</b>			
Called up share capital	20	168,000	168,000
Revenue reserve	21	70,000	70,000
Employee Benefit Trust reserve	21, 22	(39,815)	-
Profit and loss account	21	5,967,721	6,554,361
<b>Equity shareholders' funds</b>	23	<u>£ 6,165,906</u>	<u>£ 6,792,361</u>

The financial statements on pages 10 to 31 were approved and authorised for issue by the Board on 14 July 2006 and were signed on its behalf by :

ALASTAIR RITCHIE

DIRECTOR

JACK CLARK

DIRECTOR

# Consolidated Cash Flow Statement

for the year ended 30 April 2006

	Notes	2006	2005 (restated)
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>			
Group operating loss		(399,648)	(321,789)
Pension scheme current service cost – adoption of FRS 17	27	134,000	120,000
Depreciation	13	106,711	104,108
Deferred income released to loss for the year		(800)	(800)
Gain on sale of tangible fixed assets		(1,078)	(5,558)
Decrease/(increase) in stocks	15	9,998	(41,551)
(Increase)/decrease in debtors	16	(12,719)	49,123
(Decrease) in creditors		(87,792)	(64,963)
<b>Net cash outflow from operating activities</b>		<u>£ (251,328)</u>	<u>£ (161,430)</u>
<b>Cash flows</b>			
Net cash outflow from operating activities		(251,328)	(161,430)
Returns on investments and servicing of finance	24	168,851	59,156
Taxation		(877,534)	-
Net capital (payments)/receipts	24	(49,031)	4,285,695
Contribution to Employee Benefit Trust		(39,815)	-
Payment to acquire own shares		-	(36,351)
		<u>(1,048,857)</u>	<u>4,147,070</u>
Equity dividend paid		<u>(292,050)</u>	<u>(100,800)</u>
<b>(Decrease)/increase in cash</b>		<u>£ (1,340,907)</u>	<u>£ 4,046,270</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year	25	(1,340,907)	4,046,270
Net funds/(debt) at 30 April 2005		<u>3,979,678</u>	<u>(66,592)</u>
<b>Net funds at 30 April 2006</b>		<u>£ 2,638,771</u>	<u>£ 3,979,678</u>



# *Notes to the Consolidated Financial Statements*

## 1 STATEMENT OF ACCOUNTING POLICIES

### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The consolidated financial statements incorporate the results of John Swan & Sons PLC and its subsidiary undertakings, John Swan Limited and John Swan Trustee Limited, using the acquisition method of accounting.

### **Changes in accounting policies**

In preparing the financial statements for the current year, the following Financial Reporting Standards have been adopted:

- FRS 17 “Retirement Benefits”; and
- FRS 21 “Events after the Balance Sheet date”.

#### *FRS 17 “Retirement Benefits”*

The consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet and reconciliation of movements in consolidated shareholders’ funds have been amended to reflect the adoption of FRS 17. The prior period figures have been restated to reflect the cost, liability and asset position under FRS 17. There is no impact on the cash flow due to the adoption of FRS 17.

Under FRS 17, pension schemes are measured using fair values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. Each pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax, and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the consolidated profit and loss account and the consolidated statement of total recognised gains and losses.

#### *FRS 21 “Events after the Balance Sheet date”*

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If dividends are declared to the holders of equity instruments after the balance sheet date, those dividends are not recognised as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date. A prior year adjustment was recorded in relation to the adoption of FRS 21, of which details are provided at note 28.

### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	2½% to 5% straight line
Plant and machinery	10% and 20% reducing balance and 25% straight line
Motor vehicles	25% straight line

All tangible assets have been depreciated in accordance with FRS 15 with the exception of land and heritable property in existence at 30 April 1968, as any depreciation charge in respect of the heritable property would be immaterial.

# *Notes to the Consolidated Financial Statements* *continued*

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## 1 STATEMENT OF ACCOUNTING POLICIES (continued)

### **Investment in joint venture**

The investment in the joint venture is accounted for by the gross equity method.

### **Stocks**

Stocks on hand at the end of the financial year are valued at the lower of cost and net realisable value and in the case of livestock, cost includes a proportion to cover the cost of feeding from the date of purchase.

### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **Pension costs**

The pension scheme assets are measured using fair values. The pension scheme liabilities are measured using the projected unit method and discounted at an AA corporate bond rate. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full, net of deferred tax and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating and financing items in the profit and loss account and the statement of total recognised gains and losses.

### **Grants**

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets.

## 2 TURNOVER

The Group's turnover for the year ended 30 April 2006 consisting of commission, fees, credit charges and the surplus on ancillary activities was £1,443,718 (2005 - £1,425,551), and relates wholly to the UK market. Income is recognised on the completion of each sale.

The surplus on ancillary activities includes the Group trading as principal in the sale of stock, the turnover of which was £Nil (2005 - £13,736) and the cost of sales of which was £Nil (2005 - £13,736).



# Notes to the Consolidated Financial Statements *continued*

3 STAFF COSTS	2006	2005 (restated)
Wages and salaries	748,682	797,832
Social security costs	49,149	55,236
Pension scheme current service cost – adoption of FRS 17 (See Note 27)	134,000	120,000
	<u>£ 931,831</u>	<u>£ 973,068</u>

The average number of persons employed by the Group during the year was:

Office and management	21	24
Other permanent staff	7	8
Part time staff	10	8
	<u>38</u>	<u>40</u>

## 4 DIRECTORS' EMOLUMENTS

Aggregate emoluments of the directors of the Group were as follows:

Fees to non-executive directors	42,500	42,500
Salaries and benefits to executive directors	93,025	88,616
Pension contributions	-	-
	<u>£ 135,525</u>	<u>£ 131,116</u>

No share option scheme is in force.

The remuneration of each of the directors for the years ended 30 April 2006 and 2005 is set out below:

	Salary	Benefits	Total Emoluments
<i>2005-06 Executive</i>			
J.C. Clark	46,873	5,533	52,406
F.W. Forrest	36,483	4,136	40,619
	<u>£ 83,356</u>	<u>£ 9,669</u>	<u>£ 93,025</u>
<i>2004-05 Executive</i>			
J.C. Clark	44,410	5,303	49,713
F.W. Forrest	35,150	3,753	38,903
	<u>£ 79,560</u>	<u>£ 9,056</u>	<u>£ 88,616</u>

# Notes to the Consolidated Financial Statements *continued*

## 4 DIRECTORS' EMOLUMENTS (continued)

	2005-06	2004-05
<i>Non-Executive</i>		
A.J. Ritchie	15,000	15,000
J.D. Allen	9,000	9,000
G.R. Forbes	6,000	6,000
G.T. Neill	12,500	12,500
	<u>£ 42,500</u>	<u>£ 42,500</u>

The above fees paid to Mr Allen and Mr Neill include fees in respect of services carried out on behalf of the subsidiary company John Swan Limited.

Fees for Mr Ritchie were paid to Ritchie & Co under an agreement to provide the company with his services.

Due to the trading results for the year, no commission was paid to the executive directors.

The value of benefits in kind received during the year relates principally to the provision of company cars and medical insurance.

No pension contributions were paid by the Group on behalf of the directors during 2005-06 and 2004-05 (see Note 27).

### *Directors' Pensions*

The executive directors are members of an Inland Revenue approved defined benefit pension scheme which is open to all eligible employees. Non-executive directors may not join the scheme. The scheme provides for a maximum pension of two thirds final pensionable salary at a normal retirement age of 65. A widow's pension of two-thirds of the director's pension is payable on death after retirement. On retirement the directors may commute part of their pension for a cash lump sum, within Inland Revenue limits.

The table below sets out, in accordance with the Listing Rules of the UK Listing Authority, information regarding the accrued pension entitlements of the executive directors.

	Age at 30 April 2006	Accumulated accrued pension at age 65 30 April 2006	30 April 2005
		£	£
J.C. Clark	58	30,834	28,834
F.W. Forrest	51	24,000	22,000

The above figures exclude any pensions arising from additional voluntary contributions paid by the employees.

# Notes to the Consolidated Financial Statements *continued*

<b>5 GROUP OPERATING LOSS</b>	2006	2005
This is stated after charging :		(restated)
Depreciation of tangible assets	£ 106,711	£ 104,108
Group auditors' remuneration for - audit services	<u>12,700</u>	<u>12,998</u>

## 6 EXCEPTIONAL ITEMS

Exceptional non-operating profit :		
Profit on disposal of property	<u>£ -</u>	<u>£ 4,234,426</u>

The tax effect of the non-operating profit is a charge of £Nil (2005: £921,000). However, a further provision of £115,000 has been made this year in respect of the tax due on the profit on disposal of property in the year ended 30 April 2005. This additional provision has been made pending agreement of the March 1982 value of the property with HM Inspector of Taxes.

## 7 OTHER FINANCE INCOME

Other finance income –		
adoption of FRS 17 (see note 27)	<u>£ 105,000</u>	<u>£ 105,000</u>

## 8 INTEREST PAYABLE

The group interest payable of £30 (2005: £9,496) relates exclusively to bank interest. The joint venture interest payable of £805 (2005 : £9,743) relates to interest paid by the joint venture company to the subsidiary undertaking, John Swan Limited.

## 9 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Current tax :		
UK corporation tax charge on (loss)/profit of the year		
- Group	-	878,000
- Joint Venture	-	-
Under-provided in previous year		
- Group	<u>124,534</u>	<u>-</u>
<b>Total current tax charge (see below)</b>	<u>124,534</u>	<u>878,000</u>
Deferred tax :		
Adoption of FRS 17 (see note 27)	<u>(9,000)</u>	<u>(4,500)</u>
<b>Tax charge on (loss)/profit on ordinary activities</b>	<u>£ 115,534</u>	<u>£ 873,500</u>

# Notes to the Consolidated Financial Statements *continued*

## 9 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2006	2005 (restated)
<b>Factors affecting tax charge for year</b>		
(Loss)/profit on ordinary activities before tax	£ (125,806)	£ 4,076,793
(Loss)/profit on ordinary activities multiplied by standard rate of UK corporation tax 30% (2005 –30%)	(37,742)	1,223,038
Effects of :		
Expenses not deductible for tax purposes	12,656	16,862
Adoption of FRS 17 (see Note 27)	9,000	4,500
Capital allowances in excess of depreciation	1,123	(6,572)
Tax losses utilised against deferred tax	(10,581)	(8,209)
Tax losses not recognised	25,544	
Indexation and rebasing relief on disposal of property	-	(349,895)
Tax not at 30%	-	(1,724)
Adjustment to tax charge in respect of previous year	124,534	-
<b>Current tax charge for year (see above)</b>	<u>£ 124,534</u>	<u>£ 878,000</u>

## 10 (LOSS)/PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £294,590 (2005 : profit for the year - £3,177,251).

## 11 DIVIDENDS

Paid during the year:

Dividend on ordinary and deferred shares

paid on 25 October 2005	200,700	100,800
Dividend on ordinary shares paid on 10 March 2006	91,350	-
	<u>£ 292,050</u>	<u>£ 100,800</u>

The directors have also proposed a final dividend for the year of 15p per ordinary share. This dividend is subject to approval by shareholders at the Annual General Meeting on 1 September 2006 and in accordance with FRS 21 has not been included as a liability in these financial statements.

## 12 EARNINGS PER SHARE

The calculation of earnings per share is based on a loss of £241,340 (2005 : profit of £3,203,293) and on weighted averages of 609,000 (2005 : 612,000) ordinary shares of 25p and 60,000 (2005 : 120,000) deferred shares of 12.5p in issue during the year.

# Notes to the Consolidated Financial Statements *continued*

## 13 TANGIBLE ASSETS

GROUP	FREEHOLD LAND AND BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	TOTAL
<b>Cost</b>				
At 1 May 2005	1,807,980	644,195	233,851	2,686,026
Additions	-	18,691	32,180	50,871
Disposals	-	-	(29,415)	(29,415)
At 30 April 2006	1,807,980	662,886	236,616	2,707,482
<b>Depreciation</b>				
At 1 May 2005	187,569	433,896	149,730	771,195
On disposals	-	-	(28,653)	(28,653)
Charge for year	42,666	24,133	39,912	106,711
At 30 April 2006	230,235	458,029	160,989	849,253
<b>Net Book Value</b>				
At 30 April 2006	<u>£ 1,577,745</u>	<u>£ 204,857</u>	<u>£ 75,627</u>	<u>£ 1,858,229</u>
At 30 April 2005	<u>£ 1,620,411</u>	<u>£ 210,299</u>	<u>£ 84,121</u>	<u>£ 1,914,831</u>

COMPANY	FREEHOLD LAND AND BUILDINGS	TOTAL
<b>Cost</b>		
At 1 May 2005	1,629,252	1,629,252
Additions	-	-
Disposals	-	-
At 30 April 2006	1,629,252	1,629,252
<b>Depreciation</b>		
At 1 May 2005	180,420	180,420
On disposals	-	-
Charge for year	35,517	35,517
At 30 April 2006	215,937	215,937
<b>Net Book Value</b>		
At 30 April 2006	<u>£ 1,413,315</u>	<u>£ 1,413,315</u>
At 30 April 2005	<u>£ 1,448,832</u>	<u>£ 1,448,832</u>

Land and buildings with a net book value of £155,586 (2005 - £155,586) and included in the Group's net book value above of £1,577,745 (2005 - £1,620,411), have not been subject to depreciation in accordance with Note 1.

# Notes to the Consolidated Financial Statements *continued*

## 14 FIXED ASSET INVESTMENT

### (a) Subsidiary

The company holds an investment in 2 subsidiaries as follows:

- |   |  |
|---|--|
| (i) Subsidiary name                           | John Swan Limited                                |
| Issued share capital of John Swan Limited     | 3,000,000 £1 ordinary shares issued at par value |
| Percentage of ordinary shares held by company | 100%   |

John Swan Limited acts as auctioneers, livestock agents, valuers and estate agents and operates auction marts in Newtown St Boswells and Wooler.

- |   |  |
|---|--|
| (i) Subsidiary name                               | John Swan Trustee Limited                  |
| Issued share capital of John Swan Trustee Limited | 1 ordinary share of £1 issued at par value |
| Percentage of ordinary shares held by company     | 100%                                       |

John Swan Trustee Limited was incorporated on 21 September 2005 to carry on the office and duties of the Trustee of the John Swan Employee Benefit Trust and has not traded or made profits or losses during the period to 30 April 2006.

### (b) Joint Venture

The Group's 50% share of the joint venture, Braveheart Beef (Scotland) Limited, at 30 April 2006, is as follows:

GROUP	2006	2005
Share of turnover	£ -	£ 739,022
Share of loss before tax	(9)	-
Taxation	-	-
Loss after tax	£ (9)	£ -
<i>Share of assets:</i>		
Current assets	16,739	93,038
<i>Share of liabilities:</i>		
Due within one year or less	(11,748)	(88,038)
Share of net assets	£ 4,991	£ 5,000

The trade creditors of the joint venture at 30 April 2006 include a balance of £19,373 (2005 - £168,060) due to the Group. The joint venture was set up to buy and sell prime beef in Scotland. The joint venture has not traded since 30 April 2005.

## 15 STOCKS

### GROUP

Livestock	£ 52,581	£ 62,579
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### COMPANY

Livestock	£ -	£ -
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# Notes to the Consolidated Financial Statements *continued*

<b>16 DEBTORS</b> - amounts falling due within one year	2006	2005
<b>GROUP</b>		
Trade debtors	1,950,949	1,961,057
Other debtors	13,326	14,666
Prepayments and accrued income	78,133	53,966
	<u>£ 2,042,408</u>	<u>£ 2,029,689</u>

<b>COMPANY</b>		
Other debtors	10,576	9,416
Prepayments and accrued income	54,895	29,275
	<u>£ 65,471</u>	<u>£ 38,691</u>

## 17 CREDITORS - amounts falling due within one year

<b>GROUP</b>		
Trade creditors	33,887	42,597
Corporation tax	125,000	878,000
Other taxes and social security costs	37,158	36,799
Other creditors	63,313	82,794
Accruals	34,411	94,371
	<u>£ 293,769</u>	<u>£ 1,134,561</u>

<b>COMPANY</b>		
Amount owed to subsidiary undertaking	-	22,381
Corporation tax	125,000	875,000
Other creditors	57,203	77,647
Accruals	4,300	42,618
	<u>£ 186,503</u>	<u>£ 1,017,646</u>

## 18 PROVISIONS FOR LIABILITIES

<b>GROUP</b>		Deferred taxation
At 1 May 2005 and 30 April 2006		<u>£ -</u>
<b>Provision for deferred tax</b>	2006	2005
Accelerated capital allowances	21,659	22,370
Losses available to offset against deferred tax	(21,659)	(22,370)
	<u>£ -</u>	<u>£ -</u>

<b>COMPANY</b>		Deferred taxation
At 1 May 2005 and 30 April 2006		<u>£ -</u>

# Notes to the Consolidated Financial Statements *continued*

## 19 ACCRUALS AND DEFERRED INCOME

GROUP	GOVERNMENT GRANTS	
	2006	2005
At 1 May 2005	19,200	20,000
Released to loss for the year	<u>(800)</u>	<u>(800)</u>
At 30 April 2006	<u>£ 18,400</u>	<u>£ 19,200</u>
COMPANY		
At 1 May 2005 and 30 April 2006	<u>£ -</u>	<u>£ -</u>

## 20 EQUITY SHARE CAPITAL

	AUTHORISED		ALLOTTED, ISSUED AND FULLY PAID	
	2006	2005	2006	2005
Ordinary shares of 25p each	235,000	235,000	153,000	153,000
Deferred shares of 12½p each	15,000	15,000	15,000	15,000
	<u>£ 250,000</u>	<u>£ 250,000</u>	<u>£ 168,000</u>	<u>£ 168,000</u>

On a poll, each ordinary share of 25p carries one vote and each deferred share of 12½p carries four votes. Following the transfer of the deferred shares to the John Swan Employee Benefit Trust on 26 October 2005, the voting rights attaching to the deferred shares are exercised by the Trustee of the Trust as instructed by the Board, except where such instruction may breach the Trustee's fiduciary duty in which case the Trustee shall be entitled to vote as it sees fit. The deferred shares no longer have a right to a dividend.

The company continues to hold 3,000 of its ordinary shares of 25p as treasury shares. The voting and other rights attaching to these shares are suspended whilst they are held as treasury shares. Similarly, no dividends or distributions will be made in respect of these shares whilst they are held as treasury shares.

# Notes to the Consolidated Financial Statements *continued*

## 21 RESERVES

	REVENUE RESERVE	EMPLOYEE BENEFIT TRUST RESERVE	PROFIT AND LOSS ACCOUNT	TOTAL
<b>GROUP</b>				
At 1 May 2005 as previously reported	70,000	-	6,399,316	6,469,316
Prior year adjustment (see Note 28)	-	-	200,700	200,700
Prior year adjustment (see Note 28)	-	-	496,000	496,000
	70,000	-	7,096,016	7,166,016
Loss for the financial year	-	-	(241,340)	(241,340)
Other recognised gains and losses for the year	-	-	233,000	233,000
Equity dividends paid	-	-	(292,050)	(292,050)
Own shares held by Employee Benefit Trust	-	(39,815)	-	(39,815)
At 30 April 2006	<u>£ 70,000</u>	<u>£ (39,815)</u>	<u>£ 6,795,626</u>	<u>£ 6,825,811</u>
<b>COMPANY</b>				
At 1 May 2005 as previously reported	70,000	-	6,353,661	6,423,661
Prior year adjustment (see Note 28)	-	-	200,700	200,700
	70,000	-	6,554,361	6,624,361
Loss for the financial year	-	-	(294,590)	(294,590)
Equity dividends paid	-	-	(292,050)	(292,050)
Own shares held by Employee Benefit Trust	-	(39,815)	-	(39,815)
At 30 April 2006	<u>£ 70,000</u>	<u>£ (39,815)</u>	<u>£ 5,967,721</u>	<u>£ 5,997,906</u>

The Group Profit and Loss account balance at 30 April 2006 of £6,795,626 includes a surplus on the pension scheme at that date of £709,000 which is not distributable (see Note 27).

## 22 EMPLOYEE BENEFIT TRUST

An Employee Benefit Trust was established pursuant to a trust deed entered into between the Company and John Swan Trustee Limited dated 22 September 2005.

In addition to making an initial contribution of £10, the Company funded the Employee Trust in its purchase of the Company's 120,000 deferred shares of 12.5p by making an outright contribution of a sum equal, in aggregate, to £39,600 (i.e. 33p per share) plus stamp duty. (See Note 21)

# Notes to the Consolidated Financial Statements *continued*

## 23 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

### GROUP

	2006	2005 (restated)
(Loss)/Profit for the financial year	(241,340)	3,203,293
Other recognised gains and losses relating to the year	233,000	(24,500)
	(8,340)	3,178,793
Equity dividends paid	(292,050)	(100,800)
Contribution to Employee Benefit Trust	(39,815)	-
Payment to acquire own shares	-	(36,351)
Net (deduction)/addition to shareholders' funds	(340,205)	3,041,642

Balance at 1 May 2005 as previously stated	6,637,316
Prior year adjustment (see Note 28)	200,700
Prior year adjustment (see Note 28)	496,000

Balance at 1 May 2005 as restated 7,334,016 4,292,374

Balance at 30 April 2006 £ 6,993,811 £ 7,334,016

### COMPANY

(Loss)/profit for the financial year	(294,590)	3,177,251
Equity dividends paid	(292,050)	(100,800)
Contribution to Employee Benefit Trust	(39,815)	-
Payment to acquire own shares	-	(36,351)
Net (deduction)/addition to shareholders' funds	(626,455)	3,040,100

Balance at 1 May 2005 as previously stated	6,591,661
Prior year adjustment (see Note 28)	200,700

Balance at 30 April 2005 as restated 6,792,361 3,752,261

Balance at 30 April 2006 £ 6,165,906 £ 6,792,361



# Notes to the Consolidated Financial Statements *continued*

24 GROSS CASH FLOWS	2006	2005
<b>Returns on investments and servicing of finance</b>		
Interest received	168,881	68,652
Interest paid	(30)	(9,496)
	<u>£ 168,851</u>	<u>£ (59,156)</u>
<b>Net capital (payments)/receipts</b>		
Payments to acquire tangible fixed assets	(50,871)	(106,748)
Receipts from sales of tangible fixed assets	1,840	4,392,443
	<u>£ (49,031)</u>	<u>£ 4,285,695</u>

## 25 ANALYSIS OF CHANGES IN NET FUNDS

	At 30 April 2005	Cashflow	At 30 April 2006
Cash at bank and in hand	<u>£ 3,979,678</u>	<u>£ 1,340,907</u>	<u>£ 2,638,771</u>

## 26 TRANSACTIONS WITH RELATED PARTIES

The non-executive farming directors of the Group both purchase and sell stock through the markets on the same terms as those enjoyed by other customers. The transactions with these persons are not considered material in relation to the overall turnover of the Group. At 30 April 2006 the Group was due a balance of £14,510 by Messrs S & J Allen, a business in which Mr JD Allen is involved and a balance of £15,848 by GRF Farms, a business in which Mr GR Forbes is involved. Both these balances have been paid since 30 April 2006.

## 27 PENSION COMMITMENTS

### Defined benefit scheme

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, in an independently administered fund. 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 triennial valuations using the projected unit method. The most recent valuation was as at 1 May 2004. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 7.5% per annum and that salary increases would average 5.0% per annum.

# Notes to the Consolidated Financial Statements *continued*

## 27 PENSION COMMITMENTS (continued)

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,869,000 and that the actuarial value of those assets represented 151% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In view of the surplus and on the recommendation of the actuary both the Group's and the employees' contributions have been suspended temporarily since 1 May 1993.

### Composition of the scheme

The Group operates a UK-based defined benefit scheme providing benefits at retirement and on death-in-service. A full actuarial valuation was carried out at 1 May 2004 and updated to 30 April 2006 by a qualified independent actuary. The major assumptions used by the actuary were :

	30 April 2006	30 April 2005	30 April 2004
Discount rate	5.0%	5.2%	5.6%
Retail price inflation	2.9%	2.7%	2.9%
Salary increase rate	4.9%	4.7%	4.9%
Pensions increases (at Ltd Price Indexation max 5%)	2.9%	2.7%	2.9%
Deferred pension revaluation	2.9%	2.7%	2.9%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 30 April 2006	Value at 30 April 2006 £'000	Long-term rate of return expected at 30 April 2005	Value at 30 April 2005 £'000	Long-term rate of return expected at 30 April 2004	Value at 30 April 2004 £'000
Equities	7.6%	4,264	7.6%	3,187	8.0%	2,954
Bonds	4.8%	409	4.7%	327	5.1%	356
Other	4.8%	454	4.7%	573	5.1%	576
Total market value of assets		5,127		4,087		3,886
Present value of scheme liabilities		(4,114)		(3,378)		(3,127)
Surplus in scheme		1,013		709		759
Related deferred tax liability		(304)		(213)		(228)
Net pension asset		£ 709		£ 496		£ 531

The following disclosures are made in accordance with Financial Reporting Standard 17 "Retirement Benefits". The pension scheme surplus amounting to £1,013,000 (2005 - £709,000) and the related deferred tax liability of £304,000 (2005 : £213,000) have been accounted for in the financial statements (see Note 28).



# Notes to the Consolidated Financial Statements *continued*

## 27 PENSION COMMITMENTS (continued)

	2006 £'000	2005 £'000		
<b>Analysis of the amount charged to operating (loss)/profit</b>				
Current service cost	134	120		
Past service cost	-	-		
	<u>134</u>	<u>120</u>		
<b>Total operating charge</b>				
	<u>134</u>	<u>120</u>		
<b>Analysis of the amount credited to other finance income</b>				
Expected return on assets	281	280		
Interest on liabilities	(176)	(175)		
	<u>105</u>	<u>105</u>		
<b>Net return</b>				
	<u>105</u>	<u>105</u>		
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL)</b>				
Actual return less expected return on assets	831	10		
Experience gains and (losses) arising on the scheme liabilities	(153)	139		
Change in assumptions	(345)	(184)		
	<u>333</u>	<u>(35)</u>		
<b>Actuarial gain/(loss) recognised in STRGL</b>				
	<u>333</u>	<u>(35)</u>		
<b>Movement in surplus during the year</b>				
Surplus at 1 May 2005	709	759		
Movement in year :				
Current service cost	(134)	(120)		
Contributions	-	-		
Past service costs	-	-		
Net return from other finance income	105	105		
Actuarial gain/(loss) in STRGL	333	(35)		
	<u>1,013</u>	<u>709</u>		
<b>Surplus at 30 April 2006</b>				
	<u>1,013</u>	<u>709</u>		
<b>History of experience gains and losses</b>				
	2006	2005	2004	2003
Difference between the expected and actual return on Scheme assets:				
Amount (£'000)	831	10	293	(835)
As percentage of Scheme assets	16%	0%	8%	(17%)
Experience gains and losses on scheme liabilities:				
Amount (£'000)	(153)	139	63	(85)
As percentage of the present value of scheme liabilities	(4%)	4%	2%	(4%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£'000)	333	(35)	279	(980)
As percentage of the present value of scheme liabilities	8%	1%	9%	(44%)

# Notes to the Consolidated Financial Statements *continued*

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## 28 PRIOR YEAR ADJUSTMENTS

The adoption of FRS 17 “Retirement Benefits” has required full disclosure of the fair value of assets and liabilities arising from retirement benefit obligations and any related funding. Current and past service costs and other finance income are recognised in the profit and loss account for the accounting period in which they arise. In addition, the gains, losses, assets and liabilities arising from the provisions detailed in Note 27 are disclosed in the statement of recognised gains and losses on the balance sheet as appropriate.

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously proposed equity dividends were recorded as liabilities at the balance sheet date.

As a result of these changes in the group’s accounting policies, the comparatives have been restated as follows :

a) Consolidated balance sheet	Pension scheme assets	Share- holders’ funds
As previously reported	-	6,637,316
Adoption of FRS 17 – Pension scheme assets	496,000	496,000
Adoption of FRS 21 – Proposed equity dividend	-	200,700
As restated	<u>£ 496,000</u>	<u>£ 7,334,016</u>

The increase in the shareholders’ funds of £496,000 reflects the impact of changing to FRS 17 from SSAP 24 and the increase of £200,700 reflects the adoption of FRS 21 and the de-recognition of the liability for the proposed equity dividend at 30 April 2005.

# Notes to the Consolidated Financial Statements *continued*

## b) Consolidated profit and loss account

<b>Operating loss</b>	
As previously reported	(201,789)
Adoption of FRS 17 – Current and past service costs	(120,000)
As restated	<u>£ (321,789)</u>
<b>Other finance income</b>	
As previously reported	-
Adoption of FRS 17 – Other finance income	105,000
As restated	<u>£ 105,000</u>
<b>Taxation</b>	
As previously reported	(878,000)
Adoption of FRS 17 – Deferred tax	4,500
As restated	<u>£ (873,500)</u>

The net decrease in profit attributable to shareholders for the year ended 30 April 2005 of £10,500 relates to the full service cost of the pension provision to be charged to the operating profit and the net impact of the unwinding of the discount rate on scheme liabilities and the expected return of the scheme assets to be charged/credited to other finance costs, in comparison to the amortisation over the remaining service lives of the employees of any SSAP 24 surpluses or deficits.

The impact of the adoption of FRS 17 on the results (loss after tax) for the year ended 30 April 2006 amounted to a charge of £20,000 (2005 : £10,500).

## c) Earnings per share

<b>Earnings per share – ordinary shares of 25p</b>	
As previously reported	478.2p
Adoption of FRS 17	(1.6)p
As restated	<u>476.6p</u>
<b>Earnings per share – deferred shares of 12.5p</b>	
As previously reported	239.1p
Adoption of FRS 17	(0.8)p
As restated	<u>238.3p</u>

## Five Year Summary of Financial Results (£'000)

	YEAR ENDED 30 APRIL				
	2002	2003	2004	2005 (restated)	2006
<b>Turnover</b>	<u>1,248.8</u>	<u>1,358.5</u>	<u>1,511.4</u>	<u>1,425.6</u>	<u>1,443.7</u>
Operating (loss)/profit	(32.2)	(307.6)	1,144.4	(312.8)	(400.0)
Non-operating exceptional items :					
Profit on disposal of property	<u>-</u>	<u>384.4</u>	<u>749.4</u>	<u>4,234.4</u>	<u>-</u>
	(32.2)	76.8	1,893.8	3,921.6	(400.0)
Other finance income	-	-	-	105.0	105.0
Net interest receivable/(payable)	<u>40.7</u>	<u>(21.4)</u>	<u>(76.6)</u>	<u>50.2</u>	<u>169.2</u>
Profit/(loss) on ordinary activities before taxation	8.5	55.4	1,817.2	4,076.8	(125.8)
Tax on profit/(loss) on ordinary activities	<u>(1.5)</u>	<u>23.7</u>	<u>(426.7)</u>	<u>(873.5)</u>	<u>(115.5)</u>
Profit/(loss) for the financial year	7.0	79.1	1,390.5	<u>3,203.3</u>	<u>(241.3)</u>
Proposed dividend	<u>-</u>	<u>(67.2)</u>	<u>(100.8)</u>		
<b>Retained Profit</b>	<u>7.0</u>	<u>11.9</u>	<u>1,289.7</u>		
Earnings per Ordinary Share	1.0p	11.8p	206.9p	476.6p	(37.8)p
Dividend per Ordinary Share :					
<i>Final – paid in year</i>	10p	-	10p	15p	30p
<i>Interim – paid in year</i>	-	-	-	-	15p

The financial results for the year ended 30 April 2005 have been restated for the adoption of FRS 17 and FRS 21 (see Note 28).

