



*Annual Report & Financial Statements  
for the year ended 30 April 2008*

*John Swan and Sons PLC*

*Annual Report and  
Financial Statements  
for the year ended 30 April 2008*



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# *Board of Directors and Professional Advisers*

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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, CA

6 St Colme Street, Edinburgh EH3 6AD

## **Registered Auditors**

Scott-Moncrieff,

17 Melville Street, Edinburgh EH3 7PH

## **Solicitors**

Shepherd & Wedderburn

Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ET

## **Nominated Advisers**

Brewin Dolphin Limited

7 Drumsheugh Gardens, Edinburgh EH3 7QH

## **Bankers**

The Royal Bank of Scotland plc

1 Chesser Avenue, Edinburgh EH14 1TB

Registered in Scotland: No. 7893

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

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Livestock auctioneering throughout the country was curtailed in the early part of the year by the Foot and Mouth outbreak and, consequently, John Swan Limited incurred an interim loss. It is most satisfying to report a strong recovery in the second half, resulting in the company recording a profit for the full year. This outcome was achieved in very difficult circumstances and I would like, on your behalf, to thank everyone who contributed to it. A fuller report on the auctioneering business is included in the Statement by the Chairman of John Swan Limited below.

Our results for the year are summarised as follows:

|                                 | 2008            | 2007           |
|---------------------------------|-----------------|----------------|
|                                 | £               | £              |
| <b>(Loss)/Profit before tax</b> |                 |                |
| John Swan Limited               | 107,917         | 200,929        |
| John Swan & Sons PLC            | (188,522)       | (80,340)       |
| IAS 19 pension adjustment       | 8,000           | (9,000)        |
| (Loss)/Profit before tax        | <u>(72,605)</u> | <u>111,589</u> |

Our financial statements for the year ended 30 April 2008 are the first to be prepared under the new International Financial Reporting Standards (IFRSs). Although the layout of the financial statements and the disclosure of information have changed, there are no changes to the profits previously reported under UK Generally Accepted Accounting Principles (UK GAAP). Whilst the Group consolidated accounts have been prepared under IFRSs, the accounts of the parent Company continue to be prepared under UK GAAP and are found from page 37 onwards.

The balance sheet shows a net cash position of £679,000, a decrease of £1,579,000 since the last year end. Of the decrease, £182,700 was paid out as dividends to shareholders and the balance of £1,396,000 relates mainly to increased working capital requirements for John Swan Limited due to higher livestock values and improved trading volume at the year end.

The position with regard to planning permission for the redevelopment of the existing mart site at St Boswells is still the subject of negotiation before formal planning permission can be confirmed, as is the proposed construction of a new mart, and the Board is continuing to progress matters in this regard. Whilst this work will continue, the economic background has undoubtedly affected land values and this may impinge on both the rate and degree of progress. Shareholders will be kept informed.

Finally, the Board is pleased to declare a final dividend for the current year of 15p per ordinary share to be paid on 28 August 2008 to shareholders on the register at 1 August 2008. The ex dividend date will be 30 July 2008. This, along with the interim dividend paid in March 2008, amounts to a dividend for the year of 30p per ordinary share (2007: 30p).

Alastair J Ritchie  
*Chairman*

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

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As was noted in our interim financial report, the livestock sector was again subjected to another outbreak of Foot and Mouth last year and this had a severe impact on the industry in general and on the sheep sector in particular. It is therefore with a degree of satisfaction that I report that the half year loss before tax of £109,621 has been transformed into a profit before tax of £107,917 for the year.

The increase in livestock values has obviously had a beneficial effect on our income and the strength of sterling will be a major factor in maintaining these values. Of course, insofar as auction markets are concerned, any increase in value is commensurate with an increase in credit risk, as the markets continue to provide financial security for their selling customers. However, the reduction in both the national beef herd and sheep flock must inevitably have an effect on throughput. With a greater proportion of primary producers finishing their stock, we will continue to work at expanding our weekly prime stock sales, as these are the mainstay of any livestock market. Our area is renowned for the quality of the breeding replacements it produces and whilst a proportion of these are purchased to remain in Scotland, numbers in excess of 30% of the total are purchased by customers from south of the Border. At the time of writing, the position is unclear regarding arrangements for the autumn, with Bluetongue restrictions constantly changing. We shall, however, remain flexible to ensure that both our buying and selling customers are provided with an appropriate service.

Our valuation and estate agency division has been active throughout the year and the income sourced from this area, together with income derived from farm displenishing sales and implement sales, provides a valuable and substantial contribution to our profitability. I think it is worth recording that our implement sales at St Boswells are now established as principal sales of their type in the country. Since the year end, we have also entered the furniture and antique business by creating a new division of the company, which will trade as Swan & Turner. We have rented premises in Jedburgh, where regular sales will be conducted throughout the year. These will be in addition to our established sales of fine art, which continue to be successful.

As was reported at the half year, the outline planning application for the rural centre has been recommended for approval by the Scottish Ministers and we are in the process of negotiating formal planning permission. We shall keep shareholders and customers informed of any developments.

In conclusion, I wish to thank all of our staff for their efforts in producing the results we have for the year and also our loyal customers, without whose support we could not continue to operate. Auction marts are subject to significant legislation, all of which comes at a cost. However, we shall continue to provide an efficient marketing option for our customers, an option which our dedicated staff are keen to provide.

George T Neill  
*Chairman*

# *Directors' Report*

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The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report for the year ended 30 April 2008.

## **Principal activities**

The Group, through its subsidiary John Swan Ltd, acts as auctioneers, livestock agents, valuers and estate agents and operates livestock auction marts in Newtown St Boswells and Wooler.

## **Business review**

The Companies Act requires the Directors to provide a review of the business of the Group during the financial year and this is dealt with in the Statements by the Chairmen preceding this report.

## **Changes in accounting policies**

The London Stock Exchange requires that companies listed on the Alternative Investment Market prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union with effect for periods beginning on or after 1 January 2007. These financial statements have for the first time, therefore, been prepared in accordance with IFRSs. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 30.

The Company has continued to prepare its individual financial statements under UK GAAP.

## **Results and dividends**

The loss for the year after taxation amounted to £73,727. The directors recommend a final dividend of 15p per ordinary share to be paid on 28 August 2008 to ordinary shareholders on the register on 1 August 2008 which, together with the interim dividend of 15p paid on 7 March 2008 makes a total of 30p for the year (2007 – 30p).

## **Risks and uncertainties**

The Group directors recognise that there are three principal risks facing the company:

- *Purchasers sourcing stock direct from customers*  
The mart directors strive to provide a premium service and effective financial service to encourage customers to continue using the auction system.
- *Bad debts*  
The Group insures major debtors, where possible, to reduce the risk of significant financial loss.
- *Defined benefit pension scheme*  
The Group directors review the position regularly to assess the impact that funding the scheme will have on future profitability.

# *Directors' Report* continued

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## **Directors and their interests**

The directors, who served throughout the year, are shown on page 1. Mr FW Forrest and Mr JD Allen retire by rotation and being eligible offer themselves for re-election.

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

|                | Ordinary shares     |                     |
|----------------|---------------------|---------------------|
|                | At 30 April<br>2008 | At 30 April<br>2007 |
| Beneficial:    |                     |                     |
| Mr J D Allen   | 2,100               | 2,100               |
| Mr J C Clark   | 8,798               | 8,798               |
| Mr G R Forbes  | 600                 | 600                 |
| Mr F W Forrest | 1,500               | 1,500               |
| Mr G T Neill   | 1,000               | 1,000               |
| Mr A J Ritchie | 4,750               | 4,750               |

No changes took place in the interests of the directors between 30 April 2008 and 30 June 2008.

## **Post balance sheet events**

There have been no significant events affecting the Group since 30 April 2008.

## **Going concern basis**

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

## **Corporate governance**

The directors are aware of the Combined Code which provides a template for Corporate Governance procedures for fully listed companies. The Code does not apply to AIM listed companies but the directors have chosen to comply with those provisions that are appropriate, taking into account the size of the Group.

## **The Board of Directors**

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.

Since September 2005, Mr Clark and Mr Forrest have had written service contracts with John Swan Limited.

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

# *Directors' Report* *continued*

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## **Audit committee**

The Audit Committee consists of two non-executive directors, Mr Ritchie and Mr Neill. It meets twice a year and its terms of reference include the review of internal control procedures and risk assessment, the scope of the audit, the half year and full year accounts and issues arising from the audit.

## **Internal control**

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board 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 not identified nor been advised of any failings or weaknesses which it has determined to be significant.

## **Directors' remuneration**

Details of the remuneration of each director serving during the year are set out in Note 7 to the financial statements. The Company has a remuneration committee and the members are Mr Ritchie and Mr Neill. John Swan Limited has a separate remuneration committee. The aim of that committee, with reference to executive directors' remuneration, is to align individual reward and incentives directly with the performance of John Swan Limited 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.

## **Indemnity arrangements**

The Company has qualifying third party indemnity provisions in place for its directors.

## **Relations with shareholders**

There is an ongoing dialogue throughout the year with the many shareholders who are also customers. Shareholders also have the opportunity to attend and participate in the annual general meeting.

## **Supplier payment policy**

The Group's policy is to pay all consignors of stock for sale in the markets within a maximum period of seven days.

## **Fixed assets**

In the opinion of the directors the current open market value of the Group's interest in land and buildings exceeds the book value. In the absence of a recent valuation the difference cannot be quantified.

# *Directors' Report* continued

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## **Substantial shareholdings**

On 30 June 2008 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company:

|   |                |
|---|----------------|
| Value Investments Limited                                   | 10.09 per cent |
| The Hon Peregrine Moncreiffe, Easter Moncreiffe, Perthshire | 9.08 per cent  |
| Peter S Allen, House of Shaws, Midhurst                     | 3.14 per cent  |

## **Auditors**

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Scott-Moncreiff have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Geoghegan & Co**  
Secretaries

*8 July 2008*

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.

# *Statement of Directors' Responsibilities*

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The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs). Company law requires the directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS regulation. The directors have elected to prepare the Company's separate financial statements under United Kingdom Generally Accepted Accounting Principles (UK GAAP).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

The directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.



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

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We have audited the group financial statements of John Swan & Sons PLC for the year ended 30 April 2008, which comprise the consolidated income statement, consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 30. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of John Swan & Sons PLC for the year ended 30 April 2008.

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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group 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 group financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

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

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## **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 group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group 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 group financial statements.

## **Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2008 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the group financial statements.

**Scott-Moncrieff**  
Chartered Accountants  
Registered Auditor  
17 Melville Street  
Edinburgh  
EH3 7PH

*8 July 2008*



# Consolidated Income Statement

for the year ended 30 April 2008

|   | Notes | 2008<br>£        | 2007<br>£        |
|---|-------|------------------|------------------|
| <b>Revenue</b>                              | 4     | 1,518,130        | £ 1,575,162      |
| Staff costs                                 | 6     | 1,050,400        | 996,024          |
| Depreciation                                |       | 110,092          | 100,836          |
| Other operating expenses                    |       | 735,237          | 702,330          |
|   |       | <u>1,895,729</u> | <u>1,799,190</u> |
| <b>Operating loss</b>                       |       | (377,599)        | (224,028)        |
| Investment revenues                         | 8     | 305,694          | 290,331          |
| Finance costs                               | 8     | (888)            | (744)            |
| Share of results of joint venture after tax | 15    | 188              | 3,221            |
| Consideration for grant of option           | 9     | -                | 42,809           |
| <b>(Loss)/Profit before tax</b>             |       | (72,605)         | 111,589          |
| Tax   | 10    | (1,122)          | (16,390)         |
| <b>(Loss)/Profit for the year</b>           | 5     | <u>(73,727)</u>  | <u>95,199</u>    |
| <b>Basic and diluted earnings per share</b> | 12    | <u>(12.11)p</u>  | <u>15.6p</u>     |

## Consolidated Statement of Recognised Income and Expense for the year ended 30 April 2008

|  | Notes | 2008<br>£       | 2007<br>£      |
|--|-------|-----------------|----------------|
| Actuarial gains/(losses) on defined benefit pension scheme | 28    | 515,000         | 188,000        |
| Tax on items taken directly to equity                      |       | (120,000)       | (57,000)       |
| <b>Net income recognised directly in equity</b>            |       | 395,000         | 131,000        |
| <b>(Loss)/Profit for the year</b>                          |       | <u>(73,727)</u> | <u>95,199</u>  |
| <b>Total recognised income and expense</b>                 |       | <u>321,273</u>  | <u>226,199</u> |

## *Consolidated Balance Sheet* as at 30 April 2008

|                                    | Notes | 2008<br>£        | 2007<br>£        |
|------------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>          |       |                  |                  |
| Property, plant and motor vehicles | 13    | 1,769,621        | 1,836,781        |
| Investment in joint venture        | 15    | 8,400            | 8,212            |
| Pension scheme assets              |       | 1,715,000        | 1,192,000        |
|                                    |       | <u>3,493,021</u> | <u>3,036,993</u> |
| <b>Current assets</b>              |       |                  |                  |
| Inventories                        | 16    | 108,059          | 35,648           |
| Trade and other receivables        | 17    | 3,646,926        | 2,279,396        |
| Cash and cash equivalents          | 18    | 1,036,319        | 2,258,814        |
|                                    |       | <u>4,791,304</u> | <u>4,573,858</u> |
| <b>Total assets</b>                |       | <u>8,284,325</u> | <u>7,610,851</u> |
| <b>Current liabilities</b>         |       |                  |                  |
| Trade and other payables           | 19    | 223,061          | 159,224          |
| Current tax liabilities            |       | -                | 4,500            |
| Obligations under finance leases   | 20    | 2,478            | 2,478            |
| Bank overdraft                     | 18    | 357,344          | -                |
|                                    |       | <u>582,883</u>   | <u>166,202</u>   |
| <i>Net current assets</i>          |       | <u>4,208,421</u> | <u>4,407,656</u> |
| <b>Non-current liabilities</b>     |       |                  |                  |
| Deferred tax liabilities           | 22    | 504,388          | 382,890          |
| Obligations under finance leases   | 20    | 4,371            | 6,849            |
| Deferred income                    | 23    | 16,800           | 17,600           |
|                                    |       | <u>525,559</u>   | <u>407,339</u>   |
| <b>Total liabilities</b>           |       | <u>1,108,442</u> | <u>573,541</u>   |
| <b>Net assets</b>                  |       | <u>7,175,883</u> | <u>7,037,310</u> |
| <b>Equity</b>                      |       |                  |                  |
| Share capital                      | 24,25 | 168,000          | 168,000          |
| Revenue reserve                    | 24    | 70,000           | 70,000           |
| Employee Benefit Trust reserve     | 24,26 | (39,815)         | (39,815)         |
| Retained earnings                  | 24    | 6,977,698        | 6,839,125        |
| <b>Total equity</b>                |       | <u>7,175,883</u> | <u>7,037,310</u> |

The financial statements were approved by the board of directors and authorised for issue on 8 July 2008. They were signed on its behalf by:

**ALASTAIR RITCHIE**  
Chairman

**JACK CLARK**  
Director

# Consolidated Cash Flow Statement

for the year ended 30 April 2008

|   | Notes | 2008<br>£             | 2007<br>£               |
|---|-------|-----------------------|-------------------------|
| <b>Net cash used in operating activities</b>          | 27    | <u>(1,489,623)</u>    | <u>(311,021)</u>        |
| <b>Investing activities</b>                           |       |                       |                         |
| Interest received                                     | 8     | 135,694               | 134,331                 |
| Net proceeds from grant of option to purchase land    | 9     | -                     | 42,809                  |
| Proceeds on disposal of motor vehicles                |       | 2,200                 | 15,785                  |
| Purchases of plant and motor vehicles                 |       | <u>(42,932)</u>       | <u>(76,270)</u>         |
| <b>Net cash from investing activities</b>             |       | <u>94,962</u>         | <u>116,655</u>          |
| <b>Financing activities</b>                           |       |                       |                         |
| Dividends paid  | 11    | (182,700)             | (182,700)               |
| Repayment of obligations under finance leases         |       | <u>(2,478)</u>        | <u>(2,891)</u>          |
| <b>Net cash used in financing activities</b>          |       | <u>(185,178)</u>      | <u>(185,591)</u>        |
| <b>Net decrease in cash and cash equivalents</b>      |       | (1,579,839)           | (379,957)               |
| <b>Cash and cash equivalents at beginning of year</b> |       | 2,258,814             | 2,638,771               |
| <b>Cash and cash equivalents at end of year</b>       | 18    | <u><u>678,975</u></u> | <u><u>2,258,814</u></u> |

# *Notes to the Consolidated Financial Statements*

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## 1 GENERAL INFORMATION

John Swan & Sons PLC is a company incorporated in the United Kingdom under the Companies Act 1985.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

|          |   |
|----------|---|
| IFRS 8   | Operating segments  |
| IAS 23   | (Revised) Borrowing costs   |
| IFRIC 11 | IFRS 2 – Group and Treasury Share Transactions  |
| IFRIC 12 | Service Concession Arrangements   |
| IFRIC 13 | Customer Loyalty Programmes   |
| IFRIC 14 | IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### **Basis of accounting**

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 30. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interest in jointly controlled entities.

The consolidated financial statements include the Group's appropriate share of joint venture undertakings' post tax profits in the consolidated income statement. Investments in joint venture undertakings are accounted for under the equity method, initially stated at cost and adjusted thereafter for subsequent changes in the Group's share of net assets.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and VAT.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

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

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## 2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### **Leasing**

Assets obtained under finance leases are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### **Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants relating to property are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

### **Operating profit or loss**

Operating profit or loss is stated before the share of results of the joint venture and before investment income and finance costs.

### **Retirement benefit costs**

The Group operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the Group.

The pension scheme assets are measured using fair values, as at the respective balance sheet dates. The pension scheme liabilities are measured using the projected unit method and discounted at an AA corporate bond rate. The expected return on the scheme assets less interest on liabilities is included in investment revenues. Actuarial gains and losses are recognised in equity and presented in the statement of recognised income and expense. The pension scheme surplus, to the extent that it is recoverable, or the deficit, is recognised in full and presented on the face of the balance sheet.

### **Taxation**

Tax on the profit or loss for the year comprises current tax and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax relating to charges made directly to equity is recognised in equity.

# Notes to the Consolidated Financial Statements *continued*

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## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Property, plant and motor vehicles**

Property, plant and motor vehicles are stated at cost less depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, on the following bases:

|                     |  |
|---------------------|--|
| 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 with the exception of land and heritable property in existence at 30 April 1968, as any depreciation charge in respect of this heritable property would be immaterial.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### *Trade receivables*

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the expected amount recoverable.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and bank deposits.

### *Financial liabilities and equity*

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

### *Bank borrowings*

Bank overdrafts are recorded at the proceeds received. Financial charges are accounted for on an accruals basis in profit or loss.

### *Trade payables*

Trade payables are measured at fair value.

### *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.



# Notes to the Consolidated Financial Statements *continued*

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

### Valuation of retirement scheme assets

The Group records in its balance sheet an asset equivalent to the surplus on the Group's defined pension scheme. This asset is determined with advice from the Group's actuarial adviser each year and can fluctuate based on a number of factors some of which are outwith the control of management. The main factors that can impact the valuation include:

- The discount rate used to discount future liabilities back to the present date. This is determined each year based on the yield on corporate bonds.
- The actual rates of salary increase as compared to the expected rates used in the previous valuation.
- The actual returns on investments experienced as compared to the expected rates used in the previous pension scheme valuation.
- Mortality assumptions.

Details of the assumptions used to determine the assets at 30 April 2008 are set out in Note 28.

## 4 REVENUE

|   | 2008             | 2007             |
|---|------------------|------------------|
|   | £                | £                |
| An analysis of the Group's revenue is as follows: |                  |                  |
| Commissions and fees                              | 1,416,397        | 1,478,087        |
| Interest from customers                           | 18,486           | 11,364           |
|   | <u>1,434,883</u> | <u>1,489,451</u> |
| Other operating income                            | 66,626           | 70,346           |
| Property rental income                            | 16,621           | 15,365           |
|   | <u>1,518,130</u> | <u>1,575,162</u> |

# Notes to the Consolidated Financial Statements *continued*

## 5 (LOSS)/PROFIT FOR THE YEAR

|  | 2008          | 2007          |
|--|---------------|---------------|
|  | £             | £             |
| (Loss)/Profit for the year has been arrived at after (crediting)/charging: |               |               |
| Deferred income release (Note 23)  | (800)         | (800)         |
| Impairment of trade receivables  | <u>18,287</u> | <u>14,061</u> |

The analysis of auditors' remuneration is as follows:

|   |               |               |
|---|---------------|---------------|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 4,600         | 4,500         |
| Fees payable to the Company's auditors for other services to the Group:               |               |               |
| - The audit of the Company's subsidiary pursuant to legislation                       | <u>8,400</u>  | <u>9,000</u>  |
| <i>Total audit fees</i>   | <u>13,000</u> | <u>13,500</u> |
| Fees payable to the Company's auditors in respect of associated pension scheme        |               |               |
| - Audit   | <u>1,470</u>  | <u>1,400</u>  |

## 6 STAFF COSTS

|                                   | 2008             | 2007           |
|-----------------------------------|------------------|----------------|
|                                   | £                | £              |
| Salaries and wages                | 832,745          | 778,921        |
| Social security costs             | 55,655           | 52,103         |
| Other pension costs (see Note 28) | <u>162,000</u>   | <u>165,000</u> |
|                                   | <u>1,050,400</u> | <u>996,024</u> |

Other pension costs above of £162,000 (2007: £165,000) exclude other finance income, the expected return on assets and actuarial gains and losses, which are reported elsewhere.

The average monthly number of employees (including executive directors) was:

|                       | 2008      | 2007      |
|-----------------------|-----------|-----------|
|                       | Number    | Number    |
| Office and management | 23        | 22        |
| Other permanent staff | 7         | 7         |
| Part time staff       | <u>4</u>  | <u>2</u>  |
|                       | <u>34</u> | <u>31</u> |



# Notes to the Consolidated Financial Statements *continued*

## 7 DIRECTORS' REMUNERATION

|   | 2008<br>£      | 2007<br>£      |
|---|----------------|----------------|
| Aggregate emoluments of the directors of the Group were as follows: |                |                |
| Fees to non-executive directors                                     | 59,500         | 44,150         |
| Salaries and benefits to executive directors                        | 106,342        | 95,858         |
| Pension contributions   | -              | -              |
|   | <u>165,842</u> | <u>140,008</u> |

No share option scheme is in force.

The remuneration of each of the directors for the years ended 30 April 2008 and 2007 is set out below:

|                          | Fees<br>£    | Salary<br>£   | Benefits<br>£ | Total<br>Emoluments<br>£ |
|--------------------------|--------------|---------------|---------------|--------------------------|
| <i>2007-08 Executive</i> |              |               |               |                          |
| J C Clark                | 3,700        | 49,982        | 5,638         | 59,320                   |
| F W Forrest              | 3,700        | 38,618        | 4,704         | 47,022                   |
|                          | <u>7,400</u> | <u>88,600</u> | <u>10,342</u> | <u>106,342</u>           |
| <i>2006-07 Executive</i> |              |               |               |                          |
| J C Clark                | -            | 48,333        | 5,579         | 53,912                   |
| F W Forrest              | -            | 37,567        | 4,379         | 41,946                   |
|                          | <u>-</u>     | <u>85,900</u> | <u>9,958</u>  | <u>95,858</u>            |
|                          |              |               | 2007-08<br>£  | 2006-07<br>£             |
| <i>Non-Executive</i>     |              |               |               |                          |
| A J Ritchie              |              |               | 20,000        | 15,750                   |
| J D Allen                |              |               | 13,000        | 9,300                    |
| G R Forbes               |              |               | 10,000        | 6,300                    |
| G T Neill                |              |               | 16,500        | 12,800                   |
|                          |              |               | <u>59,500</u> | <u>44,150</u>            |

The 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. Mr Ritchie's fees are paid to Ritchie & Co under an agreement to provide the Company with his services.

No commission was paid to the executive directors during the year.

Benefits in kind received during the year relate principally to the provision of company cars and medical insurance.

No pension contributions were paid by the Group on behalf of the directors during 2007-08 and 2006-07 (see Note 28).

# Notes to the Consolidated Financial Statements *continued*

## 7 DIRECTORS' REMUNERATION *(continued)*

### *Directors' incentivisation*

As was detailed in the documentation sent to shareholders for the 2007 Annual General Meeting, the Board's strategy has been to seek to realise value for the Company's surplus assets at the best possible prices, with a view to distributing the profits to the shareholders. As was explained in that AGM documentation, the directors are effectively prohibited by the Panel on Takeovers and Mergers from acquiring any further shares in the Company and are therefore unable to participate in any such value enhancement which they have helped to deliver.

On 11 December 2007, therefore, a new incentivisation scheme was adopted by the Board to incentivise the Company directors to further enhance shareholder value. Under this arrangement, the Board has granted each of the Company's directors a one-off award relating to a specified number of shares. Upon a cash payment being made to shareholders within a period of five years from the date on which the award was granted, these directors will be entitled to receive a cash payment calculated by reference to the amount the Company's share price has risen above a base price of £15. The closing price on 11 December 2007 was £14.75.

Mr Ritchie was granted an award of 6,950 notional shares and Mr Clark, Mr Forrest, Mr Allen, Mr Forbes and Mr Neill were each granted an award of 5,560 notional shares.

### *Directors' pensions*

The executive directors are members of an HM Revenue & Customs 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 HM Revenue & Customs limits.

The table below sets out information regarding the accrued pension entitlements of the executive directors. The figures exclude any pensions arising from additional voluntary contributions paid by the directors.

|             | Age at<br>30 April<br>2008 | Accumulated accrued<br>pension at age 65<br>30 April<br>2008 | 30 April<br>2007 |
|-------------|----------------------------|--|------------------|
|             |                            | £  | £                |
| J C Clark   | 60                         | 32,728   | 31,761           |
| F W Forrest | 53                         | 25,400   | 24,667           |



# Notes to the Consolidated Financial Statements *continued*

## 8 INVESTMENT REVENUES AND FINANCE COSTS

|  | 2008<br>£      | 2007<br>£      |
|--|----------------|----------------|
| <i>Investment revenues</i>                                 |                |                |
| Bank interest receivable                                   | 135,694        | 134,331        |
| Net return on defined benefit pension scheme (see Note 28) | 170,000        | 156,000        |
|  | <u>305,694</u> | <u>290,331</u> |
| <i>Finance costs</i>                                       |                |                |
| Bank interest payable                                      | (258)          | (9)            |
| Finance charges on finance lease obligation                | (630)          | (735)          |
|  | <u>(888)</u>   | <u>(744)</u>   |

## 9 CONSIDERATION FOR GRANT OF OPTION

|  | 2008<br>£ | 2007<br>£ |
|--|-----------|-----------|
| Consideration for grant of option to purchase land | -         | 42,809    |

The tax effect of the non-operating profit is a charge of £nil (2007: £8,134).

## 10 TAX

|                         | 2008<br>£      | 2007<br>£       |
|-------------------------|----------------|-----------------|
| Current tax - credit    | 376            | 5,500           |
| Deferred tax - (charge) | (1,498)        | (21,890)        |
|                         | <u>(1,122)</u> | <u>(16,390)</u> |

Corporation tax is calculated at 29.835% (2007: 30%) of the estimated assessable profit for the year.

|  | 2008<br>£      | 2007<br>£       |
|--|----------------|-----------------|
| Current tax:   |                |                 |
| UK corporation tax charge on (loss)/profit of the year | -              | (4,500)         |
| Over-provided in previous year                         | 376            | 10,000          |
|  | <u>376</u>     | <u>5,500</u>    |
| Deferred tax:  |                |                 |
| Origination and reversal of timing differences         | 502            | (24,890)        |
| Tax credit/(expense) (see below)                       | 878            | (19,390)        |
| Deferred tax:  |                |                 |
| IAS 19 (expense)/credit                                | (2,000)        | 3,000           |
| Tax charge on (loss)/profit                            | <u>(1,122)</u> | <u>(16,390)</u> |

# Notes to the Consolidated Financial Statements *continued*

## 10 TAX *(continued)*

The charge for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

|  | 2008<br>£       | 2007<br>£       |
|--|-----------------|-----------------|
| (Loss)/profit before tax                                     | <u>(72,605)</u> | <u>111,589</u>  |
| Tax at the UK corporation tax rate of 29.835% (2007 –30%)    | <u>21,661</u>   | <u>(33,477)</u> |
| Tax effect of:   |                 |                 |
| Share of results of joint venture                            | 56              | 967             |
| Expenses not deductible in determining taxable (loss)/profit | (12,780)        | (13,067)        |
| IAS 19 adjustments   | 2,387           | (2,700)         |
| Tax losses not recognised                                    | (8,721)         | 4,039           |
| Different tax rate of subsidiary                             | (2,101)         | 14,848          |
| Adjustment in respect of previous year                       | <u>376</u>      | <u>10,000</u>   |
|  | <u>(20,783)</u> | <u>14,087</u>   |
| Tax credit/(expense) for the year (see above)                | <u>878</u>      | <u>(19,390)</u> |

## 11 DIVIDENDS

|  | 2008<br>£      | 2007<br>£      |
|--|----------------|----------------|
| Amounts recognised as distributions to equity holders in the year:                       |                |                |
| Final dividend for the year ended 30 April 2007<br>of 15p (2006: 15p) per share          | 91,350         | 91,350         |
| Interim dividend for the year ended 30 April 2008<br>of 15p (2007: 15p) per share        | <u>91,350</u>  | <u>91,350</u>  |
|  | <u>182,700</u> | <u>182,700</u> |
| Proposed final dividend for the year ended 30 April 2008<br>of 15p (2007: 15p) per share | <u>91,350</u>  | <u>91,350</u>  |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

# Notes to the Consolidated Financial Statements *continued*

## 12 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

|  |          |         |
|--|----------|---------|
|  | 2008     | 2007    |
| <i>Earnings</i>  | £        | £       |
| Earnings for the purposes of basic and diluted earnings per share being net (loss)/profit attributable to equity holders of the parent | (73,727) | 95,199  |
|  | 2008     | 2007    |
| <i>Number of shares</i>  | Number   | Number  |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share                                    | 609,000  | 609,000 |

## 13 PROPERTY, PLANT AND MOTOR VEHICLES

|                                 | Land and<br>buildings<br>£ | Plant<br>£ | Motor<br>vehicles<br>£ | Total<br>£ |
|---------------------------------|----------------------------|------------|------------------------|------------|
| <b>Cost</b>                     |                            |            |                        |            |
| At 1 May 2006                   | 1,807,980                  | 662,886    | 236,616                | 2,707,482  |
| Additions                       | -                          | 1,630      | 86,858                 | 88,488     |
| Disposals                       | -                          | -          | (58,391)               | (58,391)   |
| At 1 May 2007                   | 1,807,980                  | 664,516    | 265,083                | 2,737,579  |
| Additions                       | -                          | 6,595      | 36,337                 | 42,932     |
| Disposals                       | -                          | -          | (27,400)               | (27,400)   |
| At 30 April 2008                | 1,807,980                  | 671,111    | 274,020                | 2,753,111  |
| <b>Accumulated depreciation</b> |                            |            |                        |            |
| At 1 May 2006                   | 230,235                    | 458,029    | 160,989                | 849,253    |
| Charge for year                 | 42,661                     | 22,073     | 36,102                 | 100,836    |
| On disposals                    | -                          | -          | (49,291)               | (49,291)   |
| At 1 May 2007                   | 272,896                    | 480,102    | 147,800                | 900,798    |
| Charge for year                 | 42,661                     | 20,492     | 46,939                 | 110,092    |
| On disposals                    | -                          | -          | (27,400)               | (27,400)   |
| At 30 April 2008                | 315,557                    | 500,594    | 167,339                | 983,490    |
| <b>Carrying amount</b>          |                            |            |                        |            |
| At 30 April 2008                | 1,492,423                  | 170,517    | 106,681                | 1,769,621  |
| At 30 April 2007                | 1,535,084                  | 184,414    | 117,283                | 1,836,781  |

The carrying amount of the Group's land and buildings includes an amount of £155,586 (2007: £155,586) in respect of land and buildings which have not been subject to depreciation in accordance with Note 2.

The carrying amount of the Group's motor vehicles includes an amount of £6,363 (2007: £9,418) in respect of an asset held under a finance lease.

# Notes to the Consolidated Financial Statements *continued*

## 14 SUBSIDIARIES

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note 34 to the Company's separate financial statements.

## 15 INVESTMENT IN JOINT VENTURE

The Group's 50% share of the joint venture, Braveheart Beef (Scotland) Limited, at 30 April 2008, is as follows :

|                              | 2008<br>£    | 2007<br>£    |
|------------------------------|--------------|--------------|
| <i>Share of assets:</i>      |              |              |
| Current assets               | 8,447        | 10,056       |
| <i>Share of liabilities:</i> |              |              |
| Due within one year or less  | (47)         | (1,844)      |
| Share of net assets          | <u>8,400</u> | <u>8,212</u> |
| Share of revenue             | <u>-</u>     | <u>-</u>     |
| Share of profit before tax   | 235          | 3,980        |
| Tax                          | (47)         | (759)        |
| Profit after tax             | <u>188</u>   | <u>3,221</u> |

The joint venture was set up to buy and sell prime beef in Scotland. The joint venture has not traded since 30 April 2005.

## 16 INVENTORIES

|                      | 2008<br>£      | 2007<br>£     |
|----------------------|----------------|---------------|
| Livestock for resale | <u>108,059</u> | <u>35,648</u> |

## 17 TRADE AND OTHER RECEIVABLES

|   | 2008<br>£        | 2007<br>£        |
|---|------------------|------------------|
| Trade receivables from auctioneering services | 3,280,952        | 1,966,705        |
| Other trade receivables                       | 10,394           | 4,611            |
| Prepayments                                   | 355,580          | 308,080          |
|   | <u>3,646,926</u> | <u>2,279,396</u> |

## 18 CASH AND CASH EQUIVALENTS

|  | 2008<br>£      | 2007<br>£        |
|--|----------------|------------------|
| Bank and cash balances                               | 1,036,319      | 2,258,814        |
| Bank overdraft                                       | (357,344)      | -                |
| Cash and cash equivalents in the cash flow statement | <u>678,975</u> | <u>2,258,814</u> |

# Notes to the Consolidated Financial Statements *continued*

## 19 TRADE AND OTHER PAYABLES

|                          | 2008           | 2007           |
|--------------------------|----------------|----------------|
|                          | £              | £              |
| Trade and other payables | 171,003        | 119,054        |
| Accruals                 | 52,058         | 40,170         |
|                          | <u>223,061</u> | <u>159,224</u> |

Trade and other payables principally comprise amounts outstanding for trade expenses and ongoing costs.

## 20 OBLIGATIONS UNDER FINANCE LEASES

|   | Minimum<br>lease payments |               | Present value<br>of minimum<br>lease payments |              |
|---|---------------------------|---------------|---|--------------|
|   | 2008                      | 2007          | 2008  | 2007         |
|   | £                         | £             | £   | £            |
| Amounts payable under finance leases:   |                           |               |   |              |
| Within one year   | 3,108                     | 3,108         | 2,478   | 2,478        |
| In the second to fifth years inclusive  | 4,423                     | 7,531         | 4,371   | 6,849        |
|   | <u>7,531</u>              | <u>10,639</u> | 6,849   | 9,327        |
| Less: Future finance charges  | (682)                     | (1,312)       | -   | -            |
| Present value of lease obligations  | <u>6,849</u>              | <u>9,327</u>  | 6,849   | 9,327        |
| Less: Amount due for settlement within<br>12 months (shown under current liabilities) |                           |               | (2,478)                                       | (2,478)      |
| Amount due for settlement after 12 months   |                           |               | <u>4,371</u>                                  | <u>6,849</u> |

The Group has leased one motor vehicle under a finance lease.

## 21 FINANCIAL ASSETS AND LIABILITIES

The Group's main financial instruments comprise bank and cash balances and short term debtors and creditors.

### *Capital management*

The Group's policy is to maintain a strong capital base.

### *Management of financial risk*

The Group considers its major financial risk to be credit risk.

### *Credit risk*

The Group's credit risk is primarily attributable to its trade receivables. The amount presented in the balance sheet is net of allowances for doubtful receivables, which are estimated based on previous experience and management's assessment of the current economic climate. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

# Notes to the Consolidated Financial Statements *continued*

## 21 FINANCIAL ASSETS AND LIABILITIES *(continued)*

### *Credit risk (continued)*

The ageing of trade receivables from auctioneering services at the year end was as follows:

|   | 2008<br>£               |
|---|-------------------------|
| Invoices - less than 21 days                                | 1,975,802               |
| Invoices - between 21 and 90 days                           | 980,139                 |
| Invoices - over 90 days                                     | 343,298                 |
|   | <u>3,299,239</u>        |
| Provision (see Note 5)                                      | (18,287)                |
| Trade receivables from auctioneering services (see Note 17) | <u><u>3,280,952</u></u> |

The movement in the provision during the year was as follows:

|                               |                      |
|-------------------------------|----------------------|
| Balance as at 1 May 2007      | -                    |
| Recognised in profit and loss | 18,287               |
| Balance as at 30 April 2008   | <u><u>18,287</u></u> |

## 22 DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period.

|  | Accelerated<br>tax<br>depreciation<br>£ | Retirement<br>benefit<br>obligations<br>£ | Total<br>£            |
|--|---|---|-----------------------|
| At 1 May 2006                                      | -                                       | 304,000                                   | 304,000               |
| Charge to income                                   | 24,890                                  | 54,000                                    | 78,890                |
| At 1 May 2007                                      | 24,890                                  | 358,000                                   | 382,890               |
| (Credit)/charge to income                          | (1,746)                                 | 146,000                                   | 144,254               |
| Effect of change in tax rate<br>- income statement | 1,244                                   | (24,000)                                  | (22,756)              |
| At 30 April 2008                                   | <u><u>24,388</u></u>                    | <u><u>480,000</u></u>                     | <u><u>504,388</u></u> |

## 23 DEFERRED INCOME

|   | 2008<br>£            | 2007<br>£            |
|---|----------------------|----------------------|
| Government grant - towards capital expenditure: |                      |                      |
| At 1 May 2007                                   | 17,600               | 18,400               |
| Released to operating profit for the year       | (800)                | (800)                |
| At 30 April 2008                                | <u><u>16,800</u></u> | <u><u>17,600</u></u> |

# Notes to the Consolidated Financial Statements *continued*

## 24 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves:

|  | Share capital<br>£ | Revenue reserve<br>£ | Employee Benefit Trust reserve<br>£ | Retained earnings<br>£ |
|--|--------------------|----------------------|-------------------------------------|------------------------|
| At 1 May 2006                                  | 168,000            | 70,000               | (39,815)                            | 6,795,626              |
| Profit for the year                            | -                  | -                    | -                                   | 95,199                 |
| Other recognised gains and losses for the year | -                  | -                    | -                                   | 131,000                |
| Dividends                                      | -                  | -                    | -                                   | (182,700)              |
| At 1 May 2007                                  | 168,000            | 70,000               | (39,815)                            | 6,839,125              |
| Loss for the year                              | -                  | -                    | -                                   | (73,727)               |
| Other recognised gains and losses for the year | -                  | -                    | -                                   | 395,000                |
| Dividends                                      | -                  | -                    | -                                   | (182,700)              |
| At 30 April 2008                               | 168,000            | 70,000               | (39,815)                            | 6,977,698              |

## 25 SHARE CAPITAL

|                                  | 2008<br>£      | 2007<br>£      |
|----------------------------------|----------------|----------------|
| Authorised:                      |                |                |
| 940,000 ordinary shares of 25p   | 235,000        | 235,000        |
| 120,000 deferred shares of 12.5p | 15,000         | 15,000         |
|                                  | <u>250,000</u> | <u>250,000</u> |
| Issued and fully paid:           |                |                |
| 612,000 ordinary shares of 25p   | 153,000        | 153,000        |
| 120,000 deferred shares of 12.5p | 15,000         | 15,000         |
|                                  | <u>168,000</u> | <u>168,000</u> |

On a poll, each ordinary share of 25p carries one vote and each deferred share of 12.5p 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*

## 26 EMPLOYEE BENEFIT TRUST RESERVE

The Employee Benefit Trust was established pursuant to a trust deed entered into between the Company and John Swan Trustee Limited dated 22 September 2005. The Employee Benefit Trust holds 120,000 deferred shares of 12.5p in the Company. The Company has not made any contributions to the Trust and there has been no movement in the assets of the Trust in the year (2007 - £nil).

## 27 NOTES TO THE CASH FLOW STATEMENT

|   | 2008<br>£                 | 2007<br>£               |
|---|---------------------------|-------------------------|
| (Loss)/Profit before tax                                | (72,605)                  | 111,589                 |
| Adjustments for:  |                           |                         |
| Investment revenues                                     | (305,694)                 | (290,331)               |
| Finance costs   | 888                       | 744                     |
| Share of results of joint venture                       | (188)                     | (3,221)                 |
| Pension scheme current service cost                     | 162,000                   | 165,000                 |
| Depreciation of property, plant and motor vehicles      | 110,092                   | 100,836                 |
| Gain on sale of motor vehicles                          | (2,200)                   | (6,685)                 |
| Deferred income released in the year                    | (800)                     | (800)                   |
| Consideration for grant of option                       | -                         | (42,809)                |
| Operating cash flows before movement in working capital | <u>(108,507)</u>          | <u>34,323</u>           |
| (Increase)/Decrease in inventories                      | (72,411)                  | 16,933                  |
| (Increase) in receivables                               | (1,367,530)               | (236,988)               |
| Increase/(Decrease) in payables                         | 63,837                    | (9,545)                 |
| Cash used in operations                                 | <u>(1,484,611)</u>        | <u>(195,277)</u>        |
| Taxes paid  | (4,124)                   | (115,000)               |
| Interest paid   | (888)                     | (744)                   |
| Net cash used in operating activities                   | <u><u>(1,489,623)</u></u> | <u><u>(311,021)</u></u> |

# Notes to the Consolidated Financial Statements *continued*

## 28 RETIREMENT BENEFIT SCHEME

### *Defined benefit scheme*

The Group operates a defined benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund under the control of trustees. Contributions to the scheme are charged to the consolidated income statement 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 2007.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,339,000 and that the actuarial value of those assets represented 147% 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.

The full actuarial valuation carried out at 1 May 2007 was updated to 30 April 2008 by a qualified independent actuary. The key assumptions used by the actuary were:

|   | 30 April<br>2008 | 30 April<br>2007 |
|---|------------------|------------------|
| Discount rate   | 6.2%             | 5.4%             |
| Retail price inflation  | 3.4%             | 3.1%             |
| Salary increase rate  | 4.4%             | 5.1%             |
| Pension increases (Limited Price Indexation) - LPI maximum 5% | 3.4%             | 3.1%             |
| Deferred pension revaluation                                  | 3.4%             | 3.1%             |

Amounts recognised in income in respect of the defined benefit scheme are as follows:

|                                 | 2008<br>£'000 | 2007<br>£'000 |
|---------------------------------|---------------|---------------|
| Current service cost            | 162           | 165           |
| Interest on obligation          | 228           | 206           |
| Expected return on assets       | (398)         | (362)         |
| Total operating (credit)/charge | <u>(8)</u>    | <u>9</u>      |

The current service cost for the year of £162,000 (2007: £165,000) has been included in Staff costs and the net return for the year of £170,000 (2007: £156,000) has been included in Investment revenues in the Consolidated income statement.

# Notes to the Consolidated Financial Statements *continued*

## 28 RETIREMENT BENEFIT SCHEME *(continued)*

Amounts recognised in the statement of recognised income and expenditure (SORIE) are as follows:

|  | 2008       | 2007       |
|--|------------|------------|
|  | £'000      | £'000      |
| Actual return less expected return on assets | (128)      | 9          |
| Experience gains/(losses) on the obligation  | 99         | (28)       |
| Change in assumptions                        | 544        | 207        |
| Actuarial gain recognised in SORIE           | <u>515</u> | <u>188</u> |

The actual return on scheme assets was £270,000 (2007: £371,000).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement scheme is as follows:

|                             | 2008         | 2007         |
|-----------------------------|--------------|--------------|
|                             | £'000        | £'000        |
| Fair value of scheme assets | 5,621        | 5,415        |
| Value of obligation         | (3,906)      | (4,223)      |
| Surplus                     | <u>1,715</u> | <u>1,192</u> |

Movements in the fair value of scheme assets were as follows:

|  | 2008         | 2007         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Value of scheme assets at 1 May 2007         | 5,415        | 5,127        |
| Expected return                              | 398          | 362          |
| Contributions                                | -            | -            |
| Benefits paid                                | (64)         | (83)         |
| Actual return less expected return on assets | (128)        | 9            |
| Value of scheme assets at 30 April 2008      | <u>5,621</u> | <u>5,415</u> |

Movements in the present value of the defined benefit obligation were as follows:

|  | 2008           | 2007           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Present value of the obligation at 1 May 2007    | (4,223)        | (4,114)        |
| Current service cost                             | (162)          | (165)          |
| Interest on obligation                           | (228)          | (206)          |
| Past service cost                                | -              | -              |
| Benefits paid                                    | 64             | 83             |
| Actuarial loss or (gain) on obligation           | 643            | 179            |
| Present value of the obligation at 30 April 2008 | <u>(3,906)</u> | <u>(4,223)</u> |

# Notes to the Consolidated Financial Statements *continued*

## 28 RETIREMENT BENEFIT SCHEME *(continued)*

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

|          | Long-term<br>rate of return<br>expected at<br>30 April<br>2008 | Value at<br>30 April<br>2008<br>£'000 | Long-term<br>rate of return<br>expected at<br>30 April<br>2007 | Value at<br>30 April<br>2007<br>£'000 |
|----------|--|---------------------------------------|--|---------------------------------------|
| Equities | 7.6%   | -                                     | 7.9%   | 4,428                                 |
| Bonds    | 5.4%   | -                                     | 5.1%   | 481                                   |
| Other    | 5.0%   | 5,621                                 | 5.1%   | 506                                   |
| Total    |  | <u>5,621</u>                          |  | <u>5,415</u>                          |

The overall expected long term return on scheme assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets. With all assets at the accounting date invested in cash, the overall expected rate of return, weighted by asset allocation, is 5% for the year.

The history of experience adjustments is as follows:

|  | 2008<br>£'000 | 2007<br>£'000 |
|--|---------------|---------------|
| Fair value of defined benefit obligations    | 5,621         | 5,415         |
| Present value of defined benefit obligations | (3,906)       | (4,223)       |
| Surplus in the scheme                        | <u>1,715</u>  | <u>1,192</u>  |
| Experience adjustments on scheme assets      |               |               |
| Amount (£'000)                               | <u>(128)</u>  | <u>9</u>      |
| Percentage of scheme assets (%)              | <u>(2%)</u>   | <u>0%</u>     |
| Experience adjustments on scheme liabilities |               |               |
| Amount (£'000)                               | <u>99</u>     | <u>(28)</u>   |
| Percentage of scheme liabilities (%)         | <u>3%</u>     | <u>(1%)</u>   |

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £nil.

## 29 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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 2008, the Group was due a balance of £20,335 by Messrs S & J Allen, a business in which Mr JD Allen is involved, and a balance of £6,996 by GRF Farms, a business in which Mr GR Forbes is involved. Both balances have been paid since 30 April 2008.

# Notes to the Consolidated Financial Statements *continued*

## 30 EXPLANATION OF TRANSITION TO IFRSs

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 30 April 2007 and the date of transition to IFRSs was therefore 1 May 2006.

### Reconciliation of equity at 1 May 2006 (date of transition to IFRSs)

| Note                                       | UK GAAP<br>£     | Effect of<br>transition to<br>IFRSs<br>£ | IFRSs<br>£       |
|--|------------------|--|------------------|
| Property, plant and motor vehicles         | 1,858,229        | -  | 1,858,229        |
| Investment in joint venture                | 4,991            | -  | 4,991            |
| 1 Pension scheme assets                    | 709,000          | 304,000                                  | 1,013,000        |
| <b>Total non-current assets</b>            | <u>2,572,220</u> | <u>304,000</u>                           | <u>2,876,220</u> |
| Inventories                                | 52,581           | -  | 52,581           |
| Trade and other receivables                | 2,042,408        | -  | 2,042,408        |
| Cash and cash equivalents                  | 2,638,771        | -  | 2,638,771        |
| <b>Total current assets</b>                | <u>4,733,760</u> | <u>-</u>                                 | <u>4,733,760</u> |
| <b>Total assets</b>                        | <u>7,305,980</u> | <u>304,000</u>                           | <u>7,609,980</u> |
| Trade and other payables                   | 168,769          | -  | 168,769          |
| Current tax liabilities                    | 125,000          | -  | 125,000          |
| 1 Deferred tax liabilities                 | -                | 304,000                                  | 304,000          |
| Deferred income                            | 18,400           | -  | 18,400           |
| <b>Total liabilities</b>                   | <u>312,169</u>   | <u>304,000</u>                           | <u>616,169</u>   |
| <b>Total assets less total liabilities</b> | <u>6,993,811</u> | <u>-</u>                                 | <u>6,993,811</u> |
| Issued capital                             | 168,000          | -  | 168,000          |
| Revenue reserve                            | 70,000           | -  | 70,000           |
| Employee Benefit Trust reserve             | (39,815)         | -  | (39,815)         |
| Retained earnings                          | 6,795,626        | -  | 6,795,626        |
| <b>Total equity</b>                        | <u>6,993,811</u> | <u>-</u>                                 | <u>6,993,811</u> |

### Notes to the reconciliation of equity at 1 May 2006

- 1 The pension scheme asset was presented net of deferred tax under previous GAAP but under IFRSs the pension scheme asset must be presented gross with any deferred tax consequences recognised separately.

# Notes to the Consolidated Financial Statements *continued*

## 30 EXPLANATION OF TRANSITION TO IFRSs *(continued)*

Reconciliation of equity at 30 April 2007 (date of last UK GAAP financial statements)

| Note                                       | UK GAAP<br>£     | Effect of<br>transition to<br>IFRSs<br>£ | IFRSs<br>£       |
|--|------------------|--|------------------|
| Property, plant and motor vehicles         | 1,836,781        | -  | 1,836,781        |
| Investment in joint venture                | 8,212            | -  | 8,212            |
| 1 Pension scheme assets                    | 834,000          | 358,000                                  | 1,192,000        |
| <b>Total non-current assets</b>            | <u>2,678,993</u> | <u>358,000</u>                           | <u>3,036,993</u> |
| Inventories                                | 35,648           | -  | 35,648           |
| Trade and other receivables                | 2,279,396        | -  | 2,279,396        |
| Cash and cash equivalents                  | 2,258,814        | -  | 2,258,814        |
| <b>Total current assets</b>                | <u>4,573,858</u> | <u>-</u>                                 | <u>4,573,858</u> |
| <b>Total assets</b>                        | <u>7,252,851</u> | <u>358,000</u>                           | <u>7,610,851</u> |
| Trade and other payables                   | 159,224          | -  | 159,224          |
| Current tax liabilities                    | 4,500            | -  | 4,500            |
| 1 Deferred tax liabilities                 | 24,890           | 358,000                                  | 382,890          |
| Obligations under finance leases           | 9,327            | -  | 9,327            |
| Deferred income                            | 17,600           | -  | 17,600           |
| <b>Total liabilities</b>                   | <u>215,541</u>   | <u>358,000</u>                           | <u>573,541</u>   |
| <b>Total assets less total liabilities</b> | <u>7,037,310</u> | <u>-</u>                                 | <u>7,037,310</u> |
| Issued capital                             | 168,000          | -  | 168,000          |
| Revenue reserve                            | 70,000           | -  | 70,000           |
| Employee Benefit Trust reserve             | (39,815)         | -  | (39,815)         |
| Retained earnings                          | 6,839,125        | -  | 6,839,125        |
| <b>Total equity</b>                        | <u>7,037,310</u> | <u>-</u>                                 | <u>7,037,310</u> |

Notes to the reconciliation of equity at 30 April 2007

- 1 The pension scheme asset was presented net of deferred tax under previous GAAP but under IFRSs the pension scheme asset must be presented gross with any deferred tax consequences recognised separately.

# Notes to the Consolidated Financial Statements *continued*

## 30 EXPLANATION OF TRANSITION TO IFRSs *(continued)*

### Reconciliation of profit for year ended 30 April 2007

| Note                                   | UK GAAP<br>£ | Effect of<br>transition to<br>IFRSs<br>£ | IFRSs<br>£ |
|--|--------------|--|------------|
| Revenue                                | 1,575,162    |  | 1,575,162  |
| Staff costs                            | 996,024      |  | 996,024    |
| Depreciation                           | 100,836      |  | 100,836    |
| Other operating expenses               | 702,330      |  | 702,330    |
|  | 1,799,190    |  | 1,799,190  |
| Operating loss                         | (224,028)    |  | (224,028)  |
| 1 Investment revenues                  |              | 156,000                                  | 290,331    |
| 1                                      |              | 134,331                                  |            |
| 1 Finance costs                        |              | (744)                                    | (744)      |
| 2 Share of results of joint venture    | 3,622        | (401)                                    | 3,221      |
| Consideration for grant of option      | 42,809       |  | 42,809     |
|  | (177,597)    |  | 111,589    |
| 1 Other finance income                 | 156,000      | (156,000)                                | -          |
| 1 Interest receivable                  | 134,899      | (134,331)                                | -          |
| 2                                      |              | (568)                                    |            |
| 1 Interest payable and similar charges | (954)        | 744                                      | -          |
| 2                                      |              | 210                                      |            |
| Profit before tax                      | 112,348      |  | 111,589    |
| 2 Tax                                  | (17,149)     | 759                                      | (16,390)   |
| Profit for year                        | 95,199       | -  | 95,199     |

### Notes to the reconciliation of profit for year ended 30 April 2007

- The Group's other finance income, which relates to the pension scheme (see Note 28), was shown as a separate item under previous GAAP but under IFRSs it has been included in investment revenues, together with interest receivable. Interest payable and similar charges are shown as finance costs under IFRSs.
- The components of the Group's share of profit of the joint venture were shown separately under previous GAAP but under IFRSs the Group's share of profit of the joint venture has been shown as a single line item.

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

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## 30 EXPLANATION OF TRANSITION TO IFRSs *(continued)*

Explanation of material adjustments to the cash flow statements for the year ended 30 April 2007:

Taxes of £115,000 paid during the year ended 30 April 2007 are classified as operating cash flows under IFRSs, but were included in a separate category of taxation cash flows under previous GAAP.

Interest of £744 paid during the year ended 30 April 2007 is also classified as operating cash flows under IFRSs, but was included in returns on investments and servicing of finance under previous GAAP.

There are no other material differences between the cash flow statement presented under IFRSs and the cash flow statement presented under previous GAAP.

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

|  | UK GAAP        |                |                | IFRS           |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | 2004           | 2005           | 2006           | 2007           | 2008           |
| <b>Revenue</b>                                     | <u>1,511.4</u> | <u>1,425.6</u> | <u>1,443.7</u> | <u>1,575.2</u> | <u>1,518.1</u> |
| Operating profit/(loss)                            | 1,146.1        | (321.8)        | (399.6)        | (224.0)        | (377.6)        |
| Investment revenues                                | 12.7           | 173.7          | 273.8          | 290.3          | 305.7          |
| Finance costs                                      | (78.3)         | (9.5)          | -              | (0.7)          | (0.9)          |
| Share of results of joint venture after tax (10.9) |                | -              | -              | 3.2            | 0.2            |
| Profit on disposal of property                     | 749.4          | 4,234.4        | -              | -              | -              |
| Consideration for grant of option                  | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>42.8</u>    | <u>-</u>       |
| Profit/(loss) before tax                           | 1,819.0        | 4,076.8        | (125.8)        | 111.6          | (72.6)         |
| Tax  | <u>(428.5)</u> | <u>(873.5)</u> | <u>(115.5)</u> | <u>(16.4)</u>  | <u>(1.1)</u>   |
| <b>Profit/(loss) for the year</b>                  | <u>1,390.5</u> | <u>3,203.3</u> | <u>(241.3)</u> | <u>95.2</u>    | <u>(73.7)</u>  |
| Earnings per Ordinary Share                        | 206.9p         | 476.6p         | (37.8)p        | 15.6p          | (12.1)p        |
| Dividend per Ordinary Share :                      |                |                |                |                |                |
| <i>Final – paid in year</i>                        | 10p            | 15p            | 30p            | 15p            | 15p            |
| <i>Interim – paid in year</i>                      | -              | -              | 15p            | 15p            | 15p            |

The years ending 30 April 2004 to 2006 have been presented in accordance with UK GAAP. The years ending 30 April 2007 and 2008 have been presented in accordance with IFRSs.

*Company*  
*Financial Statements*  
*for the year ended 30 April 2008*

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

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We have audited the parent company financial statements of John Swan & Sons PLC for the year ended 30 April 2008, which comprise the balance sheet and the related notes 31 to 41. The parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of John Swan & Sons PLC for the year ended 30 April 2008.

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 parent company 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 parent company 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 parent company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

## **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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company 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 parent company financial statements.



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

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## Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2008 and of its loss for the year then ended;
- the parent company 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 parent company financial statements.

**Scott-Moncrieff**  
Chartered Accountants  
Registered Auditor  
17 Melville Street  
Edinburgh  
EH3 7PH

*8 July 2008*

## *Company Balance Sheet* as at 30 April 2008

|  | Notes  | 2008<br>£               | 2007<br>£               |
|--|--------|-------------------------|-------------------------|
| <b>Fixed assets</b>                                    |        |                         |                         |
| Tangible assets  | 33     | 1,342,291               | 1,377,803               |
| Investments  |        |                         |                         |
| Investments in subsidiary companies                    | 34     | 3,000,001               | 3,000,001               |
|  |        | <u>4,342,292</u>        | <u>4,377,804</u>        |
| <b>Current assets</b>                                  |        |                         |                         |
| Debtors – amounts falling due within one year          | 35     | 343,143                 | 261,095                 |
| Cash at bank and in hand                               |        | 943,214                 | 1,313,925               |
|  |        | <u>1,286,357</u>        | <u>1,575,020</u>        |
| <b>Creditors</b> - amounts falling due within one year | 36     | 87,005                  | 39,958                  |
| <b>Net current assets</b>                              |        | <u>1,199,352</u>        | <u>1,535,062</u>        |
| <b>Total assets less current liabilities</b>           |        | 5,541,644               | 5,912,866               |
| <b>Provisions for liabilities</b>                      |        | -                       | -                       |
| <b>Net assets</b>                                      |        | <u><u>5,541,644</u></u> | <u><u>5,912,866</u></u> |
| <b>Capital and reserves</b>                            |        |                         |                         |
| Called up share capital                                | 37     | 168,000                 | 168,000                 |
| Revenue reserve  | 38     | 70,000                  | 70,000                  |
| Employee Benefit Trust reserve                         | 38, 39 | (39,815)                | (39,815)                |
| Profit and loss account                                | 38     | 5,343,459               | 5,714,681               |
| <b>Equity shareholders' funds</b>                      | 40     | <u><u>5,541,644</u></u> | <u><u>5,912,866</u></u> |

The financial statements were approved and authorised for issue by the Board on 8 July 2008 and were signed on its behalf by:

**ALASTAIR RITCHIE**  
Chairman

**JACK CLARK**  
Director

# *Notes to the Company Financial Statements*

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## 31 SIGNIFICANT ACCOUNTING POLICIES

### **Basis of accounting**

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

### **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 |
|-----------------------------|-------------------------|

Land and heritable property has 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 this heritable property would be immaterial.

### **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.

## 32 LOSS FOR THE YEAR

As permitted by Section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year ended 30 April 2008 of £188,522 (2007: loss for the year - £70,340).

# Notes to the Company Financial Statements *continued*

## 33 TANGIBLE ASSETS

|                       | Freehold<br>land and<br>buildings<br>£ | Total<br>£       |
|-----------------------|--|------------------|
| <b>Cost</b>           |  |                  |
| At 1 May 2007         | 1,629,252                              | 1,629,252        |
| Additions             | -                                      | -                |
| Disposals             | -                                      | -                |
| At 30 April 2008      | <u>1,629,252</u>                       | <u>1,629,252</u> |
| <b>Depreciation</b>   |  |                  |
| At 1 May 2007         | 251,449                                | 251,449          |
| On disposals          | -                                      | -                |
| Charge for year       | 35,512                                 | 35,512           |
| At 30 April 2008      | <u>286,961</u>                         | <u>286,961</u>   |
| <b>Net book value</b> |  |                  |
| At 30 April 2008      | <u>1,342,291</u>                       | <u>1,342,291</u> |
| At 30 April 2007      | <u>1,377,803</u>                       | <u>1,377,803</u> |

Land and buildings with a net book value of £155,586 (2007: £155,586) and included in the Company's net book value above of £1,342,291 (2007: £1,377,803), have not been subject to depreciation in accordance with Note 31.

## 34 SUBSIDIARIES

Details of the Company's subsidiaries at 30 April 2008 are as follows :

|                           | Place of<br>incorporation<br>and operation | Proportion<br>of ownership<br>interest | Proportion<br>of voting<br>power held | Method used<br>to account for<br>investment |
|---------------------------|--|--|---------------------------------------|---|
|                           |  | %                                      | %                                     |   |
| John Swan Limited         | Scotland                                   | 100                                    | 100                                   | Equity                                      |
| John Swan Trustee Limited | Scotland                                   | 100                                    | 100                                   | Equity                                      |

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

John Swan Trustee Limited carries on the office and duties of the Trustee of the John Swan Employee Benefit Trust. The Company has not traded or made profits or losses since incorporation.

# Notes to the Company Financial Statements *continued*

## 35 DEBTORS - amounts falling due within one year

|                                | 2008           | 2007           |
|--------------------------------|----------------|----------------|
|                                | £              | £              |
| Other debtors                  | 7,566          | 4,483          |
| Prepayments and accrued income | 335,577        | 256,612        |
|                                | <u>343,143</u> | <u>261,095</u> |

## 36 CREDITORS - amounts falling due within one year

|                                       | 2008          | 2007          |
|---------------------------------------|---------------|---------------|
|                                       | £             | £             |
| Amount owed to subsidiary undertaking | 10,593        | 450           |
| Other creditors                       | 65,862        | 35,008        |
| Accruals                              | 10,550        | 4,500         |
|                                       | <u>87,005</u> | <u>39,958</u> |

## 37 SHARE CAPITAL

Details of the Company's share capital are given in Note 25 of the Consolidated financial statements.

## 38 RESERVES

|                             | Revenue<br>reserve<br>£ | Employee<br>Benefit<br>Trust<br>reserve<br>£ | Profit<br>and loss<br>account<br>£ | Total<br>£       |
|-----------------------------|-------------------------|--|------------------------------------|------------------|
| At 1 May 2007               | 70,000                  | (39,815)                                     | 5,714,681                          | 5,744,866        |
| Loss for the financial year | -                       | -  | (188,522)                          | (188,522)        |
| Equity dividends paid       | -                       | -  | (182,700)                          | (182,700)        |
| At 30 April 2008            | <u>70,000</u>           | <u>(39,815)</u>                              | <u>5,343,459</u>                   | <u>5,373,644</u> |

## 39 EMPLOYEE BENEFIT TRUST RESERVE

Details of the Employee Benefit Trust are given in Note 26 of the Consolidated financial statements.

# Notes to the Company Financial Statements *continued*

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## 40 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

|  | 2008                    | 2007                    |
|--|-------------------------|-------------------------|
|  | £                       | £                       |
| Loss for the financial year            | (188,522)               | (70,340)                |
| Equity dividends paid (see Note 41)    | (182,700)               | (182,700)               |
| Net deduction from shareholders' funds | <u>(371,222)</u>        | <u>(253,040)</u>        |
| Balance at 1 May 2007                  | <u>5,912,866</u>        | <u>6,165,906</u>        |
| Balance at 30 April 2008               | <u><u>5,541,644</u></u> | <u><u>5,912,866</u></u> |

## 41 DIVIDENDS

Details of the dividends paid in the year are given in Note 11 of the Consolidated financial statements.

