

John Swan & Sons PLC

*Annual Report and
Financial Statements*

for the year ended 30 April 2011

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Board of Directors and Professional Advisers

Executive Director

J C Clark

Non-Executive Directors

Alastair J Ritchie, Company Director, Edinburgh – Chairman of John Swan & Sons PLC

James D Allen, Farmer, Longnewton, St Boswells – Chairman of John Swan Limited

George R Forbes, Farmer, Georgefield, Coldstream

Secretaries, Registrars and Registered Office

Geoghegans, CA

6 St Colme Street, Edinburgh EH3 6AD

Registered Auditors

Scott-Moncrieff,

Exchange Place 3, Seiple Street, Edinburgh EH3 8BL

Solicitors

Shepherd & Wedderburn LLP

1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL

Nominated Advisers

Brewin Dolphin Limited

7 Drumsheugh Gardens, Edinburgh EH3 7QH

Bankers

The Royal Bank of Scotland plc

1 Chesser Avenue, Edinburgh EH14 1TB

Company Registration No. SC007893

Statement by the Chairman *John Swan & Sons PLC*

The results for the year show a loss of £397,676 before tax, compared with £282,868 last time. There are three components which make up the figures which can be summarised as follows:

	2011	2010
	£	£
Loss before tax		
John Swan Limited - profit	63,551	38,719
John Swan & Sons PLC - loss	(181,227)	(166,587)
IAS 19 pension adjustment	(280,000)	(155,000)
Loss before tax	<u>(397,676)</u>	<u>(282,868)</u>

The IAS19 pension adjustment increased to £280,000. As I have previously indicated, this is not a cash item and arises from an accounting practice which for practical purposes is outwith the control of the Board.

Profits from our mart operations increased to £63,551 from £38,719 in 2010, despite a provision of £89,113 in respect of potential bad debts incurred. This has led to a fundamental review of our credit arrangements, which have been made historically on an informal basis, but will now be strictly commercial.

PLC costs fell slightly from £187,930 to £181,285 and the Board will continue to control these as far as possible relative to our public company status. Costs in 2010 benefited from non-recurring option fees and interest income totalling £21,343. Cash resources fell by £315,801 largely due to an increase of £168,698 in working capital employed in the mart and PLC costs, including dividends.

However, in line with the dividend policy outlined in last year's report, the Board is pleased to declare a final dividend for the year of 5p per ordinary share to be paid on 30 September 2011 to shareholders on the register at 2 September 2011. The ex dividend date will be 31 August 2011. As no interim dividend was paid, this amounts to a total dividend for the year of 5p per ordinary share (2010: 15p).

With regard to property matters, there is still nothing to report. However shareholders will be interested to know that Scottish Borders Council have issued a draft development framework for Newtown St Boswells, of which the present mart site is an integral part. Discussions on this project and our other property assets continue with a number of planning authorities.

Alastair J Ritchie
Chairman

Statement by the Chairman *John Swan Limited*

Despite maintaining the throughput of livestock at the company's marts, the profitability of the business has been adversely affected by a bad debt provision of £89,000 and an increase in business rates for St Boswells of £40,000. Nevertheless the profit before tax (excluding pension adjustment) of £63,551 for John Swan Limited shows an increase of £24,832 compared with the previous year.

Swan & Turner continues to provide an important alternative income stream and, with the formation of our property division John Swan Properties and the appointment of Jack Cadell to the Board of John Swan Limited, we continue to expand the range of services which we can offer to a wider clientele.

At the time of writing, our development plans at St Boswells are ongoing. However a successful relocation of the St Boswells Market will largely depend upon the outcome of ongoing negotiations with Scottish Borders Council.

As mentioned in the Chairman's Statement for the PLC, Scottish Borders Council has now published the Newtown St Boswells Development Framework which cannot be achieved without the inclusion of our existing premises. Shareholders of John Swan & Sons PLC will be updated with developments along with customers of the mart.

James D Allen
Chairman

Directors' Report

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 2011.

Principal activities

The Group, through its subsidiary John Swan Limited, 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.

Key performance indicators

Given the straightforward nature of the business, the Group directors are of the opinion that the use of key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Results and dividends

The loss for the year after taxation amounted to £327,575. The directors recommend a final dividend of 5p per ordinary share to be paid on 30 September 2011 to ordinary shareholders on the register on 2 September 2011. As no interim dividend was paid, the total dividend paid for the year is 5p (2010 – 15p).

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*

Directors and their interests

The directors, who served throughout the year, are shown on page 1. Mr JD Allen retires by rotation and being eligible offers himself 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 2011	At 30 April 2010
Beneficial:		
Mr J D Allen	2,100	2,100
Mr J C Clark	8,798	8,798
Mr G R Forbes	600	600
Mr A J Ritchie	4,750	4,750

No changes took place in the interests of the directors between 30 April 2011 and 30 June 2011.

Post balance sheet events

There have been no significant events affecting the Group since 30 April 2011.

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 has had a written service contract with John Swan Limited.

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

Directors' Report continued

Audit committee

The Audit Committee consists of two non-executive directors, Mr Ritchie and Mr Forbes. 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 of John Swan Limited, the trading subsidiary, meet monthly and involve themselves in the day to day management of the company, 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 6 to the financial statements. The Company has a remuneration committee and the members are Mr Ritchie and Mr Allen. 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 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

Substantial shareholdings

The Company is aware of the following substantial interests in the issued ordinary shares as at 30 June 2011:

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

Scott-Moncreiff have expressed their willingness to continue in office as Auditors of the Company and its subsidiaries and a resolution proposing their re-appointment will be put to shareholders at the Annual General Meeting.

By order of the Board

Geoghegans
Secretaries

29 July 2011

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

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 2006 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).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profit or loss for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

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

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

On behalf of the Board

JC Clark
Director

29 July 2011

Independent Auditors' Report to the Members of John Swan & Sons PLC

We have audited the group financial statements of John Swan & Sons PLC for the year ended 30 April 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of John Swan & Sons PLC for the year ended 30 April 2011.

Donald Forsyth (Senior statutory auditor)

for and on behalf of Scott-Moncrieff, Statutory Auditor

29 July 2011

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Consolidated Income Statement

for the year ended 30 April 2011

	Notes	2011 £	2010 £
Revenue	3	1,900,817	1,805,073
Staff costs	5	1,100,361	1,016,721
Depreciation		108,481	113,018
Other operating expenses		949,382	886,993
		<u>2,158,224</u>	<u>2,016,732</u>
Operating loss		(257,407)	(211,659)
Investment revenues	7	777	1,843
Finance costs	7	(141,046)	(73,052)
Loss before tax		(397,676)	(282,868)
Tax	8	70,101	45,894
Loss for the year	4	<u>(327,575)</u>	<u>(236,974)</u>
Basic and diluted earnings per share	10	<u>(53.79)p</u>	<u>(38.91)p</u>

Consolidated Statement of Comprehensive Income

for the year ended 30 April 2011

	Notes	2011 £	2010 £
Loss for the year		(327,575)	(236,974)
Actuarial gain/(loss) on defined benefit pension scheme	23	746,000	(1,878,000)
Deferred tax on pension scheme		(190,000)	526,000
Total comprehensive income/(expense)		<u>228,425</u>	<u>(1,588,974)</u>

Consolidated Statement of Financial Position

as at 30 April 2011

	Notes	2011 £	2010 £
Non-current assets			
Property, plant and motor vehicles	11	2,133,864	2,145,842
Trade and other receivables	13	2,705	-
Pension scheme assets	23	617,000	151,000
		<u>2,753,569</u>	<u>2,296,842</u>
Current assets			
Trade and other receivables	13	3,117,060	2,948,838
Cash and cash equivalents	14	152,080	467,881
		<u>3,269,140</u>	<u>3,416,719</u>
Total assets		<u>6,022,709</u>	<u>5,713,561</u>
Current liabilities			
Trade and other payables	15	184,519	192,445
Net current assets		<u>3,084,621</u>	<u>3,224,274</u>
Non-current liabilities			
Deferred tax liabilities	17	186,526	66,627
Deferred income	18	14,400	15,200
		<u>200,926</u>	<u>81,827</u>
Total liabilities		<u>385,445</u>	<u>274,272</u>
Net assets		<u>5,637,264</u>	<u>5,439,289</u>
Equity			
Issued share capital	19	168,000	168,000
Revenue reserve		70,000	70,000
Employee Benefit Trust reserve	20	(39,815)	(39,815)
Retained earnings		5,439,079	5,241,104
Total equity		<u>5,637,264</u>	<u>5,439,289</u>

The financial statements were approved by the board of directors and authorised for issue on 29 July 2011. They were signed on its behalf by:

A.J. RITCHIE
Chairman

J.C. CLARK
Director

Company Registration No. SC007893

Consolidated Statement of Changes in Equity

for the year ended 30 April 2011

	Notes	Share capital £	Revenue reserve £	Employee Benefit Trust reserve £	Retained earnings £	Total equity £
At 1 May 2009		168,000	70,000	(39,815)	6,982,328	7,180,513
Loss for the year		-	-	-	(236,974)	(236,974)
Actuarial loss on defined benefit scheme	23	-	-	-	(1,878,000)	(1,878,000)
Dividends	9	-	-	-	(152,250)	(152,250)
Deferred tax on items recognised directly in equity		-	-	-	526,000	526,000
At 1 May 2010		<u>168,000</u>	<u>70,000</u>	<u>(39,815)</u>	<u>5,241,104</u>	<u>5,439,289</u>
Loss for the year		-	-	-	(327,575)	(327,575)
Actuarial gain on defined benefit scheme	23	-	-	-	746,000	746,000
Dividends	9	-	-	-	(30,450)	(30,450)
Deferred tax on items recognised directly in equity		-	-	-	(190,000)	(190,000)
At 30 April 2011		<u><u>168,000</u></u>	<u><u>70,000</u></u>	<u><u>(39,815)</u></u>	<u><u>5,439,079</u></u>	<u><u>5,637,264</u></u>

Consolidated Cash Flow Statement

for the year ended 30 April 2011

	Notes	2011 £	2010 £
Net cash flows (used in)/from operating activities	21	<u>(198,992)</u>	<u>626,148</u>
Investing activities			
Interest received	7	777	1,843
Proceeds from disposal of motor vehicles		9,750	27,950
Proceeds from sale of investment in joint venture		-	8,500
Purchases of property, plant and motor vehicles		<u>(96,886)</u>	<u>(144,624)</u>
Net cash used in investing activities		<u>(86,359)</u>	<u>(106,331)</u>
Financing activities			
Dividends paid	9	(30,450)	(152,250)
Repayment of obligations under finance leases		-	(4,371)
Net cash used in financing activities		<u>(30,450)</u>	<u>(156,621)</u>
Net (decrease)/increase in cash and cash equivalents		(315,801)	363,196
Cash and cash equivalents at beginning of year		467,881	104,685
Cash and cash equivalents at end of year	14	<u>152,080</u>	<u>467,881</u>

Notes to the Consolidated Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

John Swan & Sons PLC (the Company) is a company domiciled in the United Kingdom. The consolidated financial statements of the Group have been prepared in accordance with the accounting policies set out below which are based on International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group financial statements have been prepared on the historical cost basis.

Standards and interpretations in issue not yet effective

The following new and revised standards and interpretations have been issued but are not yet effective and have therefore not been adopted in these financial statements. The standards and interpretations listed below are not expected to have a material impact on the Company's consolidated results or assets and liabilities.

IFRS 9	Financial Instruments (effective 1 January 2013)
IAS 12 (amended)	Income Taxes (effective 1 January 2012)
IAS 24 (amended)	Related Party Disclosures (effective 1 January 2011)
IFRIC 14 (amended)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2011)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
Improvements to IFRSs	(May 2010)

Going concern

A review of the Group's activities during the year is set out in the Statements of the Chairmen on pages 2 and 3.

The Group has positive cash balances and takes a temporary bank borrowing facility, if required, in periods of large auction sales when debtor balances increase. The cash balances and the borrowing facility provide adequate financial resources to fund current trading plans.

The Directors consider that as at the date of approving the financial statements, there is a reasonable expectation that the Group and Company have 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.

Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiaries.

Notes to the Consolidated Financial Statements *continued*

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Commission is recognised at the point of sale.

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

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 so as to achieve a constant rate of interest on the remaining balance of the liability. 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 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 comprehensive income. 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.

Notes to the Consolidated Financial Statements *continued*

1 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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 and 20% reducing balance

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.

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.

Notes to the Consolidated Financial Statements continued

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2 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 2011 are set out in Note 23.

Notes to the Consolidated Financial Statements *continued*

3 REVENUE

	2011 £	2010 £
An analysis of the Group's revenue is as follows:		
Commissions	1,727,991	1,635,233
Estate agency and valuation fees	13,837	43,766
Interest from customers	34,246	18,366
	<u>1,776,074</u>	<u>1,697,365</u>
Other operating income	95,713	89,228
Property rental income	29,030	18,480
	<u>1,900,817</u>	<u>1,805,073</u>

4 LOSS FOR THE YEAR

	2011 £	2010 £
Loss for the year has been arrived at after charging/(crediting):		
Rentals under operating lease – land and buildings	17,250	17,250
Profit on disposal of motor vehicles	(9,367)	(56)
Impairment of trade receivables	89,655	8,682
Trade receivables - provision recovered	(18)	(16,309)
Trade receivables - bad debt recovered	(524)	-
Deferred income release (Note 18)	(800)	(800)
	<u>17,250</u>	<u>17,250</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	4,500	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	8,850	8,850
<i>Total audit fees</i>	<u>13,350</u>	<u>13,350</u>
Fees payable to the Company's auditors in respect of associated pension scheme		
- Audit	<u>1,600</u>	<u>1,575</u>

Notes to the Consolidated Financial Statements *continued*

5 STAFF COSTS

	2011	2010
	£	£
Salaries and wages	835,664	819,407
Social security costs	65,697	55,314
Pension – current service cost (see Note 23)	142,000	108,000
Other pension costs	57,000	34,000
	<u>1,100,361</u>	<u>1,016,721</u>

The pension costs above of £142,000 and £57,000 (2010: £108,000 and £34,000) 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:

	2011	2010
	Number	Number
Office and management	23	23
Other permanent staff	5	5
Part time staff	7	9
	<u>35</u>	<u>37</u>

6 DIRECTORS' REMUNERATION

Aggregate emoluments of the directors of the Group, who are also the company's key management personnel were as follows:

	2011	2010
	£	£
Fees to non-executive directors	46,500	52,045
Salaries and benefits to executive directors	64,432	85,444
Pension contributions	-	-
	<u>110,932</u>	<u>137,489</u>

No share option scheme is in force.

The remuneration of each of the directors for the years ended 30 April 2011 and 2010 is set out below:

	Fees	Salary	Benefits	Total Emoluments
	£	£	£	£
<i>2010-11 Executive</i>				
J C Clark	<u>3,700</u>	<u>52,622</u>	<u>8,110</u>	<u>64,432</u>

Notes to the Consolidated Financial Statements *continued*

6 DIRECTORS' REMUNERATION (*continued*)

	Fees £	Salary £	Benefits £	Total Emoluments £
<i>2009-10 Executive</i>				
J C Clark	3,700	51,844	9,207	64,751
F W Forrest (to date of resignation - 2 October 2009)	1,540	16,679	2,474	20,693
	<u>5,240</u>	<u>68,523</u>	<u>11,681</u>	<u>85,444</u>
			2010-11 £	2009-10 £
<i>Non-Executive</i>				
A J Ritchie			20,000	20,000
J D Allen			16,500	15,040
G R Forbes			10,000	10,000
G T Neill (to date of resignation - 2 October 2009)			-	7,005
			<u>46,500</u>	<u>52,045</u>

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

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

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

The group makes an annual contribution to the pension scheme, although this contribution is not specifically made in favour of the directors (see Note 23).

Directors' incentivisation

On 11 December 2007, an incentivisation scheme was adopted by the Board to incentivise the Company directors to further enhance shareholder value. Under the arrangement, the Board granted each of the Company's directors a one-off award relating to a specified number of shares. Mr Ritchie was granted an award of 6,950 notional shares and Mr Clark, Mr Allen and Mr Forbes were each granted an award of 5,560 notional 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 equivalent to the amount the Company's share price has risen above a base price of £15 multiplied by the number of notional shares granted to them. The closing price on 11 December 2007 was £14.75. The closing price on 30 April 2011 was £4.25.

No accrual has been made in these accounts for any award, which may become payable in the future under this scheme.

Notes to the Consolidated Financial Statements *continued*

6 DIRECTORS' REMUNERATION (*continued*)

Directors' pensions

The executive director is a member 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 director may commute part of his 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 director. The figures exclude any pensions arising from additional voluntary contributions paid by the director.

	Age at 30 April 2011	Accumulated accrued pension at age 65 30 April 2011	30 April 2010
		£	£
J C Clark	<u>63</u>	<u>34,901</u>	<u>34,385</u>

7 INVESTMENT REVENUES AND FINANCE COSTS

	2011 £	2010 £
<i>Investment revenues</i>		
Bank interest receivable	<u>777</u>	<u>1,843</u>
<i>Finance costs</i>		
Bank interest payable	(46)	-
Finance charges on finance lease obligation	-	(52)
Net interest charge on defined benefit pension scheme (see Note 23)	<u>(141,000)</u>	<u>(73,000)</u>
	<u>(141,046)</u>	<u>(73,052)</u>

Notes to the Consolidated Financial Statements *continued*

8 TAX

	2011 £	2010 £
Current tax	-	-
Deferred tax - credit	<u>70,101</u>	<u>45,894</u>
	<u>70,101</u>	<u>45,894</u>

Corporation tax is calculated at 27.84% (2010: 28%) of the estimated assessable profit for the year.

	2011 £	2010 £
Current tax:		
UK corporation tax charge on loss of the year	-	-
Deferred tax:		
Origination and reversal of timing differences	<u>(2,899)</u>	<u>2,894</u>
Tax (expense)/credit (see below)	(2,899)	2,894
Deferred tax:		
IAS 19 credit	<u>73,000</u>	<u>43,000</u>
Tax credit on loss	<u>70,101</u>	<u>45,894</u>

The tax credit/(expense) for the year can be reconciled to the loss per the consolidated income statement as follows:

	2011 £	2010 £
Loss before tax	<u>(397,676)</u>	<u>(282,868)</u>
Tax credit at the UK corporation tax rate of 27.84% (2010 – 28%)	<u>110,713</u>	<u>79,203</u>
Tax effect of :		
Expenses not deductible in determining taxable loss	(11,726)	(13,157)
IAS 19 adjustments	(77,952)	(43,400)
Tax losses not recognised	(26,638)	(18,145)
Different tax rate of subsidiary	2,704	(965)
Taxable capital gain	-	(642)
	<u>(113,612)</u>	<u>(76,309)</u>
Tax (expense)/credit for the year (see above)	<u>(2,899)</u>	<u>2,894</u>

Notes to the Consolidated Financial Statements *continued*

9 DIVIDENDS

	2011 £	2010 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 April 2010 of 5 pence (2010: 15 pence) per share	30,450	91,350
Interim dividend for the year ended 30 April 2011 of nil pence (2010: 10 pence) per share	-	60,900
	<u>30,450</u>	<u>152,250</u>
Proposed final dividend for the year ended 30 April 2011 of 5 pence (2010: 5 pence) per share	<u>30,450</u>	<u>30,450</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.

10 EARNINGS PER SHARE

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

	2011 £	2010 £
<i>Earnings</i>		
Earnings for the purposes of basic and diluted earnings per share being net loss attributable to equity holders of the parent	<u>(327,575)</u>	<u>(236,974)</u>
	2011 Number	2010 Number
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>609,000</u>	<u>609,000</u>

Notes to the Consolidated Financial Statements *continued*

11 PROPERTY, PLANT AND MOTOR VEHICLES

	Land and buildings £	Plant £	Motor vehicles £	Total £
Cost				
At 1 May 2009	2,210,374	691,351	271,767	3,173,492
Additions	64,186	6,998	73,440	144,624
Disposals	-	-	(74,119)	(74,119)
At 1 May 2010	2,274,560	698,349	271,088	3,243,997
Additions	35,496	17,350	44,040	96,886
Disposals	-	-	(44,445)	(44,445)
At 30 April 2011	2,310,056	715,699	270,683	3,296,438
Accumulated depreciation				
At 1 May 2009	358,218	521,879	151,265	1,031,362
Charge for year	42,661	18,954	51,403	113,018
On disposals	-	-	(46,225)	(46,225)
At 1 May 2010	400,879	540,833	156,443	1,098,155
Charge for year	42,661	18,987	46,833	108,481
On disposals	-	-	(44,062)	(44,062)
At 30 April 2011	443,540	559,820	159,214	1,162,574
Carrying amount				
At 30 April 2011	1,866,516	155,879	111,469	2,133,864
At 30 April 2010	1,873,681	157,516	114,645	2,145,842

The carrying amount of the Group's land and buildings includes an amount of £155,586 (2010: £155,586) in respect of land and buildings which have not been subject to depreciation in accordance with Note 1. It also includes an amount of £502,076 (2010: £466,580) in respect of the capitalisation of professional fees incurred in respect of the redevelopment of the existing mart site at St Boswells, the proposed construction of a new mart and the possible development of other properties owned by the company. This expenditure has also not been depreciated in the year.

12 SUBSIDIARIES

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note 28 to the company's separate financial statements.

Notes to the Consolidated Financial Statements *continued*

13 TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Current assets:		
Trade receivables from auctioneering services	3,078,845	2,843,033
Other receivables	1,248	31,156
Prepayments and accrued income	36,967	74,649
	<u>3,117,060</u>	<u>2,948,838</u>
Non-current assets:		
Other receivables	2,705	-
Total trade and other receivables	<u>3,119,765</u>	<u>2,948,838</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14 CASH AND CASH EQUIVALENTS

	2011 £	2010 £
Bank and cash balances	152,080	467,881
Cash and cash equivalents in the cash flow statement	<u>152,080</u>	<u>467,881</u>

The Royal Bank of Scotland plc holds a bond and floating charge over the assets of the subsidiary company, John Swan Limited, for the provision of overdraft facilities during peak trading periods.

15 TRADE AND OTHER PAYABLES

	2011 £	2010 £
Trade and other payables	128,341	130,854
Accruals	56,178	61,591
	<u>184,519</u>	<u>192,445</u>

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

Notes to the Consolidated Financial Statements *continued*

16 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.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Liquidity needs are monitored on a day to day basis. Short term flexibility is achieved by an overdraft facility when required.

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.

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

	2011 £	2010 £
Invoices - less than 21 days	1,816,840	1,768,860
Invoices - between 21 and 90 days	724,619	667,395
Invoices - over 90 days	689,739	469,494
	<u>3,231,198</u>	<u>2,905,749</u>
Provision	(152,353)	(62,716)
Trade receivables from auctioneering services (see Note 13)	<u>3,078,845</u>	<u>2,843,033</u>

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

Balance as at 1 May 2010	62,716	115,457
Utilised as intended	-	(45,114)
Recovered in the income statement	(18)	(16,309)
Provided in the income statement	89,655	8,682
Balance as at 30 April 2011	<u>152,353</u>	<u>62,716</u>

Notes to the Consolidated Financial Statements *continued*

17 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 tax depreciation £	Retirement benefit obligations £	Total £
At 1 May 2009	26,521	612,000	638,521
Credit to income	(2,894)	(569,000)	(571,894)
At 1 May 2010	23,627	43,000	66,627
Charge to income	2,899	117,000	119,899
At 30 April 2011	26,526	160,000	186,526

The Company has not recognised a deferred tax asset of £96,152 (2010: £76,758) in respect of unused tax losses carried forward.

18 DEFERRED INCOME

	2011 £	2010 £
Government grant - towards capital expenditure:		
At 1 May 2010	15,200	16,000
Released to operating loss for the year	(800)	(800)
At 30 April 2011	14,400	15,200

19 SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid:		
612,000 ordinary shares of 25p	153,000	153,000
120,000 deferred shares of 12.5p	15,000	15,000
	168,000	168,000

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*

20 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 (2010 - £nil).

21 NOTES TO THE CASH FLOW STATEMENT

	2011 £	2010 £
Loss before tax	(397,676)	(282,868)
Adjustments for:		
Investment revenues	(777)	(1,843)
Finance costs	141,046	73,052
Pension scheme current service cost	139,000	82,000
Depreciation of property, plant and motor vehicles	108,481	113,018
Gain on sale of motor vehicles	(9,367)	(56)
Gain on sale of investment in joint venture	-	(15)
Deferred income released in the year	(800)	(800)
Operating cash flows before movement in working capital	(20,093)	(17,512)
(Increase)/Decrease in receivables	(170,927)	674,286
(Decrease) in payables	(7,926)	(30,574)
Cash flows (used in)/from operations	(198,946)	626,200
Interest paid	(46)	(52)
Net cash flows (used in)/from operating activities	<u>(198,992)</u>	<u>626,148</u>

22 OPERATING LEASE ARRANGEMENTS

	2011 £	2010 £
Minimum lease payments under operating lease recognised as an expense in the year	<u>17,250</u>	<u>17,250</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under a non-cancellable operating lease, which fall due as follows:

	2011 £	2010 £
Within one year	-	17,250
In the second to fifth years inclusive	17,250	-
After five years	-	-
	<u>17,250</u>	<u>17,250</u>

Operating lease payments represent rentals payable by the Group for a shop and store. The lease was initially negotiated for a term of three years from 1 May 2008, the date of entry. The lease was extended by a further period of three years from 1 May 2011.

Notes to the Consolidated Financial Statements *continued*

23 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 scheme's surplus and on the recommendation of the actuary, both the Group's and the employees' contributions had been suspended temporarily since 1 May 1993. However, again on the actuary's recommendation, the Group and the Trustees of the scheme have agreed that in the period from 10 July 2008 to 31 July 2013, the Group will pay contributions (including death in service premiums) of £60,000 per annum covering each scheme year from 1 May to 30 April.

The full actuarial valuation carried out at 1 May 2007 was updated to 30 April 2011 by a qualified independent actuary. The key assumptions used by the actuary were:

	30 April 2011	30 April 2010
Discount rate	5.5%	5.6%
Retail price inflation (RPI)	3.5%	3.7%
Consumer price inflation (CPI)	2.8%	N/A
Salary increase rate	4.5%	4.7%
Pension increases (Limited Price Indexation) - RPI maximum 5%	3.5%	3.7%
Deferred pension revaluation	2.8%	3.7%

Following the Government announcement that statutory inflation linking will in future be based on the CPI index rather than RPI, the CPI assumption has been used for future deferred pension revaluation. The effect of this change in assumptions is a gain of £179,000, which is included in the actuarial gain of £746,000 this year (see 'Amounts recognised in the consolidated statement of comprehensive income' below).

The mortality assumptions adopted estimate life expectancies from age 65 for men and women aged 65 now of 20.6 years and 23.2 years respectively and from age 65 for men and women aged 45 now of 22.5 years and 25.1 years respectively.

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

	2011 £'000	2010 £'000
Current service cost	142	108
Interest on obligation	311	245
Expected return on assets	(170)	(172)
Total operating charge	<u>283</u>	<u>181</u>

Notes to the Consolidated Financial Statements *continued*

23 RETIREMENT BENEFIT SCHEME *(continued)*

The current service cost for the year of £142,000 (2010: £108,000) has been included in Staff costs and the net interest charge for the year of £141,000 (2010: £73,000) has been included in Finance costs in the Consolidated income statement.

The actual return on scheme assets was a net return of £14,000 (2010: net charge of £6,000).

Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2011 £'000	2010 £'000
Actual return less expected return on assets	(156)	(178)
Experience gains/(losses) on the obligation	434	(59)
Change in assumptions	468	(1,641)
Actuarial gain/(loss)	<u>746</u>	<u>(1,878)</u>

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

	2011 £'000	2010 £'000
Fair value of scheme assets	5,668	5,700
Value of obligation	(5,051)	(5,549)
Surplus	<u>617</u>	<u>151</u>

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

	2011 £'000	2010 £'000
Value of scheme assets at 1 May 2010	5,700	5,737
Expected return	170	172
Contributions	3	26
Benefits paid	(49)	(57)
Actual return less expected return on assets	(156)	(178)
Value of scheme assets at 30 April 2011	<u>5,668</u>	<u>5,700</u>

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

	2011 £'000	2010 £'000
Present value of the obligation at 1 May 2010	(5,549)	(3,553)
Current service cost	(142)	(108)
Interest on obligation	(311)	(245)
Benefits paid	49	57
Actuarial gain/(loss) on obligation	902	(1,700)
Present value of the obligation at 30 April 2011	<u>(5,051)</u>	<u>(5,549)</u>

Notes to the Consolidated Financial Statements *continued*

23 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 rate of return expected at 30 April 2011	Value at 30 April 2011 £'000	Long-term rate of return expected at 30 April 2010	Value at 30 April 2010 £'000
Equities	-	-	-	-
Bonds	-	-	-	-
Other	4.5%	5,668	3.0%	5,700
Total		<u>5,668</u>		<u>5,700</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. In the Trustees proposed allocation of assets dated 12 April 2011, the overall expected rate of return, weighted by asset allocation, is 4.5% for the year ended 30 April 2012.

The history of experience adjustments is as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of scheme assets	5,668	5,700	5,737	5,621	5,415
Present value of defined benefit obligations	(5,051)	(5,549)	(3,553)	(3,906)	(4,223)
Surplus in the scheme	<u>617</u>	<u>151</u>	<u>2,184</u>	<u>1,715</u>	<u>1,192</u>
Experience adjustments on scheme assets					
Amount (£'000)	<u>(156)</u>	<u>(178)</u>	<u>(95)</u>	<u>(128)</u>	<u>9</u>
Percentage of scheme assets (%)	<u>(3%)</u>	<u>(3%)</u>	<u>(2%)</u>	<u>(2%)</u>	<u>0%</u>
Experience adjustments on scheme liabilities					
Amount (£'000)	<u>434</u>	<u>(59)</u>	<u>(61)</u>	<u>99</u>	<u>(28)</u>
Percentage of scheme liabilities (%)	<u>9%</u>	<u>(3%)</u>	<u>(2%)</u>	<u>3%</u>	<u>(1%)</u>

The Group expects to contribute £60,000 (including death in service premiums) to its defined benefit retirement scheme in the year to 30 April 2012.

Notes to the Consolidated Financial Statements *continued*

24 RELATED PARTY TRANSACTIONS

Transactions between the Company and its wholly owned subsidiaries 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 2011, no sums were due to the Group by the non-executive directors.

Five Year Summary of Financial Results (£'000)

	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Revenue	<u>1,575.2</u>	<u>1,518.1</u>	<u>2,396.2</u>	<u>1,805.0</u>	<u>1,900.8</u>
Operating loss	(224.0)	(377.6)	(292.9)	(211.7)	(257.4)
Investment revenues	290.3	305.7	77.1	1.8	0.8
Finance costs	(0.7)	(0.9)	(0.8)	(73.0)	(141.1)
Share of results of joint venture after tax	3.2	0.2	0.1	-	-
Consideration for grant of option	<u>42.8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) before tax	111.6	(72.6)	(216.5)	(282.9)	(397.7)
Tax	<u>(16.4)</u>	<u>(1.1)</u>	<u>16.8</u>	<u>45.9</u>	<u>70.1</u>
Profit/(loss) for the year	<u><u>95.2</u></u>	<u><u>(73.7)</u></u>	<u><u>(199.7)</u></u>	<u><u>(237.0)</u></u>	<u><u>(327.6)</u></u>
Earnings per Ordinary Share	15.6p	(12.1)p	(32.8)p	(38.9)p	(53.8)p
Dividend per Ordinary Share :					
<i>Final – paid in year</i>	15p	15p	15p	15p	5p
<i>Interim – paid in year</i>	15p	15p	15p	10p	nil

Company
Financial Statements
for the year ended 30 April 2011

Independent Auditors' Report to the Members of John Swan & Sons PLC

We have audited the parent company financial statements of John Swan & Sons PLC for the year ended 30 April 2011 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of John Swan & Sons PLC for the year ended 30 April 2011.

Donald Forsyth (Senior statutory auditor)
for and on behalf of Scott-Moncrieff, Statutory Auditor

29 July 2011

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Company Balance Sheet as at 30 April 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	27	1,737,831	1,737,847
Investments			
Investments in subsidiary companies	28	3,000,001	3,000,001
		<u>4,737,832</u>	<u>4,737,848</u>
Current assets			
Debtors – amounts falling due within one year	29	1,904	10,300
Cash at bank and in hand		13,804	160,907
		<u>15,708</u>	<u>171,207</u>
Creditors - amounts falling due within one year	30	107,247	51,085
Net current (liabilities)/assets		<u>(91,539)</u>	<u>120,122</u>
Net assets		<u>4,646,293</u>	<u>4,857,970</u>
Capital and reserves			
Called up share capital	31	168,000	168,000
Revenue reserve	32	70,000	70,000
Employee Benefit Trust reserve	32, 33	(39,815)	(39,815)
Profit and loss account	32	4,448,108	4,659,785
Equity shareholders' funds	34	<u>4,646,293</u>	<u>4,857,970</u>

The financial statements were approved and authorised for issue by the Board on 29 July 2011 and were signed on its behalf by:

A.J. RITCHIE
Chairman

J.C. CLARK
Director

Company Registration No. SC007893

Notes to the Company Financial Statements

25 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. 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
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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.

26 LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, 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 2011 of £181,227 (2010: loss for the year - £166,587).

Notes to the Company Financial Statements *continued*

27 TANGIBLE ASSETS

	Freehold land and buildings £	Total £
Cost		
At 1 May 2010	2,095,832	2,095,832
Additions	35,496	35,496
At 30 April 2011	<u>2,131,328</u>	<u>2,131,328</u>
Depreciation		
At 1 May 2010	357,985	357,985
Charge for year	35,512	35,512
At 30 April 2011	<u>393,497</u>	<u>393,497</u>
Net book value		
At 30 April 2011	<u>1,737,831</u>	<u>1,737,831</u>
At 30 April 2010	<u>1,737,847</u>	<u>1,737,847</u>

Land and buildings with a net book value of £155,586 (2010: £155,586) and included in the Company's net book value above of £1,737,831 (2010: £1,737,847), have not been subject to depreciation in accordance with Note 25.

In addition, professional fees of £502,076 (2010: £466,580) included in the Company's net book value of land and buildings of £1,737,831 (2010: £1,737,847) have also not been subject to depreciation. The professional fees have been incurred in respect of the redevelopment of the existing mart site at St Boswells, the proposed construction of a new mart and the possible development of other properties owned by the company.

28 SUBSIDIARIES

Details of the Company's subsidiaries at 30 April 2011 are as follows:

	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for 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*

29 DEBTORS - amounts falling due within one year

	2011	2010
	£	£
Other debtors	1,904	7,300
Prepayments and accrued income	-	3,000
	<u>1,904</u>	<u>10,300</u>

30 CREDITORS - amounts falling due within one year

	2011	2010
	£	£
Amount owed to subsidiary undertaking	75,402	7,225
Other creditors	22,599	36,345
Accruals	9,246	7,515
	<u>107,247</u>	<u>51,085</u>

31 SHARE CAPITAL

Details of the Company's share capital are given in Note 19 of the Consolidated financial statements.

32 RESERVES

	Revenue reserve £	Employee Benefit Trust reserve £	Profit and loss account £	Total £
At 1 May 2010	70,000	(39,815)	4,659,785	4,689,970
Loss for the financial year	-	-	(181,227)	(181,227)
Equity dividends paid	-	-	(30,450)	(30,450)
At 30 April 2011	<u>70,000</u>	<u>(39,815)</u>	<u>4,448,108</u>	<u>4,478,293</u>

33 EMPLOYEE BENEFIT TRUST RESERVE

Details of the Employee Benefit Trust are given in Note 20 of the Consolidated financial statements.

Notes to the Company Financial Statements *continued*

34 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2011 £	2010 £
Loss for the financial year	(181,227)	(166,587)
Equity dividends paid (see Note 35)	(30,450)	(152,250)
Net deduction from shareholders' funds	(211,677)	(318,837)
Balance at 1 May 2010	4,857,970	5,176,807
Balance at 30 April 2011	<u>4,646,293</u>	<u>4,857,970</u>

35 DIVIDENDS

Details of the dividends paid in the year are given in Note 9 of the Consolidated financial statements.

