

Swanston Farm Limited

Report of the Director and Financial Statements

for the year ended 31 December 2008

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Swanston Farm Limited

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**Company Information
for the year ended 31 December 2008**

Directors	Colin McClung Alastair McClung
Secretary	Colin McClung
Company Number	SC192334
Registered Office	111 Swanston Road Edinburgh EH10 7DS
Registered Auditors	Atkinson & Co Limited Chartered Accountants Victoria House 87 High Street Tillicoultry FK13 6AA
Solicitors	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE
Bankers	The Royal Bank of Scotland plc 2 Biggar Road Edinburgh EH10 7BQ

**Directors' Report
for the year ended 31 December 2008**

The directors present their report and the financial statements for the year ended 31st December 2008.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to -

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

**Directors Report (continued)
for the year ended 31 December 2008**

Statement of disclosure of information to auditors

The directors of the company who held office at the date of approval of this annual report confirm that:

- So far as they are aware, there is no relevant audit information, information needed by the the company's auditors in connection with preparing their report, of which the company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Principal activity

The company's principal activity continues to be that of farming and estate management.

Directors

The directors during the year were as follows:

Colin McClung

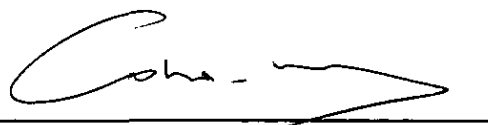
Alastair McClung

Auditors

The auditors, Atkinson & Co. Limited will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

Small company rules

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies. It was approved by the board on 22nd June 2009 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Colin McClung', is written over a horizontal line.

Colin McClung
Secretary

**Independent auditors' report to the shareholders of
Swanston Farm Limited**

We have audited the financial statements of Audit Company Limited for the year ended 31st December 2008 on pages 5 to 12. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2007).

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 the audit report or the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the 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 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 have read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Independent auditors' report to the shareholders of
Swanston Farm Limited
(continued)**

Basis of audit opinion

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

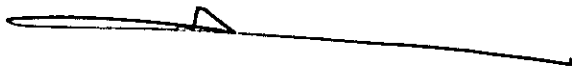
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31st December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information in the Directors' Report is consistent with the financial statements.

Victoria House
87 High Street
Tillicoultry
FK13 6AA



Atkinson & Co Ltd
Chartered Accountants
and Registered Auditors

**Profit and Loss Account
for the year ended 31 December 2008**

	Notes	2008 £	2007 £
Turnover	2	87909	123778
Cost of sales		<u>17457</u>	<u>23320</u>
Gross profit		70452	100458
Administrative expenses		<u>282577</u>	<u>205283</u>
Operating profit	3	(212125)	(104825)
Other income		411468	295158
Interest receivable		20509	49291
Interest payable		<u>219951</u>	<u>109322</u>
Profit/(loss) on ordinary activities before taxation		(99)	130302
Taxation on profit on ordinary activities	4	<u>2344</u>	<u>13624</u>
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	11	<u><u>(2443)</u></u>	<u><u>116678</u></u>

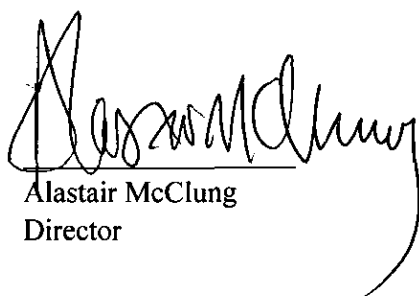
The notes on pages 7 to 13 form part of these Statements.

Balance sheet
as at 31st December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	5	8432604	8379446
Current assets			
Debtors	6	665074	520031
Cash at bank and in hand		<u>78</u>	<u>45</u>
		665152	520076
Creditors : amounts falling due within one year	7	<u>1923541</u>	<u>2147256</u>
Net current assets (liabilities)		(1258389)	(1627180)
Total assets less current liabilities		<u>7174215</u>	<u>6752266</u>
Creditors : amounts falling due after more than one year	8	1219913	743000
Provision for liabilities			
Provision for taxation	9	<u>95979</u>	<u>65790</u>
Net assets		<u>5858323</u>	<u>5943476</u>
Capital and reserves			
Called up share capital	10	985	985
Share premium	11	2161488	2161488
Revaluation reserve	11	3647006	3647006
Profit and loss account	11	<u>48844</u>	<u>133997</u>
Shareholders' funds		<u>5858323</u>	<u>5943476</u>

Balance sheet (continued)
as at 31st December 2008

The financial statements which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies were approved by the board on 22nd June 2009 and signed on its behalf.



Alastair McClung
Director

The notes on pages 7 to 13 form part of these Statements

**Notes to the Financial Statements
for the year ended 31 December 2008****1. Accounting Policies****Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Turnover

Turnover represents the value of sales invoiced excluding value added tax.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life on the following bases:

Land and buildings	No depreciation provided
Temporary Buildings	10% straight line basis
Plant & Machinery etc	25% per annum reducing balance basis

Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the near future.

Notes to the Financial Statements for the year ended 31 December 2008

1. Accounting Policies (cont)

Pension Scheme

The company operates a defined contribution pension scheme, the pension charge represents amounts payable by the company to the fund. The expense reflects the underfunding in previous years, now quantified.

2. Turnover

In the year to 31st December 2008 none of the company's turnover was derived from markets outside the UK. (2007 : nil)

3. Operating Profit

This is stated after charging:-

	2008 £	2007 £
Auditors' remuneration	2000	2000
Director's remuneration	5040	24642
Directors' Pension	65001	-
Depreciation of tangible fixed assets:		
-owned by the company	29237	19816
(Gain)/Loss on sale of fixed assets	<u>6000</u>	<u>(12245)</u>

4. Taxation

UK corporation tax	1392	21516
Transfer to/(from) deferred taxation	<u>952</u>	<u>(7892)</u>
	<u>2344</u>	<u>13624</u>

**Notes to the Financial Statements
for the year ended 31 December 2008**

5. Tangible Fixed Assets

	Freehold Property £	Plant and Machinery £	Fixtures, fittings Office Equipment £	Total £
Cost				
As at 1st January 2008	8320000	35512	75800	8431312
Additions	82687	-	501	83188
Disposals	(14000)	-	-	(14000)
As at 31st December 2008	<u>8388687</u>	<u>35512</u>	<u>76301</u>	<u>8500500</u>
Depreciation				
As at 1st January 2008	-	25118	26748	51866
Charge for year	1043	2598	12389	16030
As at 31st December 2008	<u>1043</u>	<u>27716</u>	<u>39137</u>	<u>67896</u>
Net book value				
As at 31st December 2008	<u>8387644</u>	<u>7796</u>	<u>37164</u>	<u>8432604</u>
As at 31st December 2007	<u>8320000</u>	<u>10394</u>	<u>49052</u>	<u>8379446</u>

**Notes to the Financial Statements
for the year ended 31 December 2008****5. Tangible Fixed Assets - continued**

Land and buildings are held in the accounts at open market value as at the revaluation date, plus cost of the additions thereafter. The following were revalued by Graham & Sibbald Surveyors during 2007, offices (January); long let cottages (April) and holiday cottages (May). The farm, golf course, livery and telecommunications were revalued in November 2007 by DMH Baird Lumsden. These revaluations have been reflected in the accounts. There have been no revaluations in 2008.

Cost or valuation at 31 December 2008 is represented by:

Valuation in the year:	Freehold Property £
2000	2148588
2001	(68116)
2002	725249
2003	2094675
2004	(156775)
2005	(51050)
2006	859513
2007	2767916
2008	67644
	<u>8387644</u>

In the current economic climate the carrying value of land and property at market value may exceed the realisable value should these assets be sold. The assets will be revalued in line with standard accounting practice within 5 years. The realisable value is expected to recover and therefore there has been no additional revaluation or adjustment made.

**Notes to the Financial Statements
for the year ended 31 December 2008**

	2008 £	2007 £
6. Debtors		
Due within one year:		
Trade Debtors	33990	17568
Other Debtors	631084	462633
Directors' current accounts	-	32648
VAT	-	7182
	<u>665074</u>	<u>520031</u>
7. Creditors : amounts falling due within one year		
Bank loans and overdraft	1771062	1502095
Trade creditors	4415	84383
Accruals	118432	42462
Other creditors	23112	495607
Other taxes & social security costs	5114	1193
Corporation tax	1406	21516
	<u>1923541</u>	<u>2147256</u>

The Royal Bank of Scotland hold a bond and floating charge against the company's assets as security for a total facility of £1,650,000. The company has also borrowed £485,000 against their SSAS pension fund. This loan is secured against 3 of the holiday cottages (numbers 5,6 and 8). Part of Swanston Farm is subject to a standard security in favour of Gilbert McClung (Kelso) Limited.

**8. Creditors : amounts falling due
after more than one year**

Loans due 1-5 years	164834	388000
Loans with no specified repayment terms	1055079	355000
	<u>1219913</u>	<u>743000</u>

**Notes to the Financial Statements
for the year ended 31 December 2008**

	VAT	Deferred Tax	Total	
	2008	2008	2008	2007
	£	£	£	£
9. Provision for liabilities and charges				
Balance at 1 January 2008	39204	26586	65790	34478
Charge/ (credit) in the year	29237	952	30189	31312
Balance at 31 December 2008	<u>68441</u>	<u>27538</u>	<u>95979</u>	<u>65790</u>

The provision for deferred taxation is made up of accelerated capital allowances. The other provision is for VAT, which has been resolved in 2009. The provision reflects the final agreed liability.

In addition to the provision made for VAT the company has a potential liability of £150,338 which is contingent upon negotiations with HM Revenue and Customs. The liability arises from potentially overclaimed input tax on the construction of the golf course.

10. Share Capital

	2008	2007
	£	£
Authorised		
Ordinary Shares of £1 each	<u>5000000</u>	<u>5000000</u>
Allotted, issued and fully paid		
Ordinary Shares of £1 each	<u>985</u>	<u>985</u>

	Profit & Loss	Share Premium	Revaluation	Total
	£	£	£	£
11. Reserves				
Balance brought forward	133997	2161488	3647006	5942491
Retained profit for year	(2443)	-	-	(2443)
Dividend paid	<u>(82710)</u>	<u>-</u>	<u>-</u>	<u>(82710)</u>
Balance at 31 December 2008	<u>48844</u>	<u>2161488</u>	<u>3647006</u>	<u>5857338</u>

Notes to the Financial Statements for the year ended 31 December 2008

12. Transactions with directors

The company has made the following interest bearing loans to the directors. The maximum balance outstanding during the year was the opening balance. No interest has been charged in the year.

	2008 £	2007 £
Alastair McClung	-	605
Colin McClung	-	24905
	<u>-</u>	<u>25510</u>

13. Related party transactions

Swanston Farm Limited, Pentland Developments (Scotland) Limited, Bay Properties Limited and Swanston Golf Limited are related parties by virtue of common control. Swanston Farm Limited has granted loans to the companies on which interest is charged at commercial rates. Bay Properties Limited ceased to trade in the year to 31st December 2007 and Pentland Developments (Scotland) Limited ceased to trade in the year to 31st December 2008.

The outstanding balances at the year end and interest earned in the year were as follows:

	Loan		Interest
	2008 £	2007 £	2008 £
Pentland Developments (Scotland) Limited	-	214834	942
Bay Properties Limited	-	(15856)	-
Swanston Golf Limited	<u>572932</u>	<u>247799</u>	<u>19566</u>

The directors consider that there is no requirement to make a provision against the loan to Swanston Golf Limited although it currently has net liabilities. The company is still in it's start up phase and is currently moving into a profitable situation. The directors expect to fully recover the loan in the medium term.

14. Controlling Interest

Mr A McClung, who controls 51 % of the shares of Swanston Farm Limited is the company's ultimate controlling party.