

**Company Registration No. SC249969 (Scotland)**

**JOHN SWAN LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2009**

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# **JOHN SWAN LIMITED**

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# JOHN SWAN LIMITED

## BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

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**Directors**

G T Neill	(Non-Executive Chairman)
J C Clark	(Executive Director)
F W Forrest	(Executive Director)
W G Stott	(Executive Director)
J P G Hamilton	(Executive Director)
S J Wilson	(Executive Director)
J D Allen	(Non-Executive Director)
J S Helm	(Non-Executive Director)
R W Telford	(Non-Executive Director)

**Secretaries** Geoghegan & Co C A

**Company number** SC 249969

**Registered office** 6 St Colme Street  
Edinburgh EH3 6AD

**Auditors** Scott-Moncrieff  
17 Melville Street  
Edinburgh EH3 7PH

**Business address** Newtown St Boswells  
Melrose  
Roxburghshire TD6 0PP

**Bankers** The Royal Bank of Scotland plc  
1 Chesser Avenue  
Edinburgh EH14 1TB

**Solicitors** Shepherd & Wedderburn LLP  
1 Exchange Crescent  
Conference Square  
Edinburgh EH3 8UL

# JOHN SWAN LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2009

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The directors present their report and financial statements for the year ended 30 April 2009.

### Principal activities and business review

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

The company has succeeded in increasing its throughput of both cattle and sheep throughout the year and this, together with a continued increase in livestock values, has had a beneficial effect on income.

The Swan & Turner business, which commenced trading on 1 May 2008, has established itself in Jedburgh during the year, and is building a reputation in the Borders and further afield for its auctions of fine art and antiques.

The results for the year, however, are disappointing due to a contribution of £60,000 made to the company's pension scheme and provisions for a fine of £22,800 for animal movement recording offences in Northumberland and bad debts of £97,170. Bank interest receivable has also decreased this year from £76,000 in 2008 to £16,000 due to falling interest rates.

### Results

The loss for the year after tax amounted to £17,533 (2008: profit £114,795).

### Future developments

The current economic climate has had the effect of delaying the Rural Centre and Mart relocation programme. It is therefore intended that the Board will be restructured so that it can focus on the redevelopment of the market operation for the future.

### Risks and uncertainties

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

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

### Directors

The directors, who served throughout the year, are shown on page 1.

In addition, Mr Richard J Henderson served as an executive director until his resignation on 30 May 2008. From 31 May 2008, Mr Henderson served as a non-executive director until his resignation on 31 January 2009.

# JOHN SWAN LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

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### Directors' interests

During the year G T Neill, J C Clark, F W Forrest and J D Allen were directors of the parent company, John Swan & Sons PLC. Their interests in the share capital of the parent company are shown in that company's financial statements.

The interests of the other directors in the shares of the parent company are as follows :

	30 April 2009	Ordinary shares 1 May 2008
W G Stott	1,000	1,000
J P G Hamilton	882	882
S J Wilson	250	250
J S Helm	1,750	2,250
R W Telford	500	-

### Directors' responsibilities

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

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

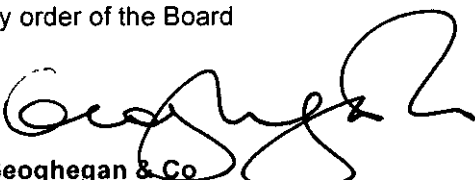
The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the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

### Disclosure of information to auditors

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

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

By order of the Board

  
**Geoghegan & Co**  
Secretaries  
31 July 2009

# JOHN SWAN LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN SWAN LIMITED

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We have audited the financial statements of John Swan Limited for the year ended 30 April 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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).

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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the 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**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2009 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.

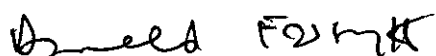
### **Opinion on other matter prescribed by the Companies Act 2006**

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 financial statements.

### **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.



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

31 July 2009

17 Melville Street  
Edinburgh  
EH3 7PH

# JOHN SWAN LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 APRIL 2009

	Notes	2009 £	2008 £
<i>Turnover: Company and share of joint venture</i>		2,396,247	1,518,130
<i>Less: Share of joint venture turnover</i>		-	-
<b>Turnover</b>	2	2,396,247	1,518,130
Staff costs	3	(954,580)	(919,667)
Depreciation		(78,493)	(74,580)
Other operating charges		(1,449,825)	(653,243)
		(2,482,898)	(1,647,490)
<b>Operating loss</b>	5	(86,651)	(129,360)
Share of operating loss in joint venture		(7)	(4)
		(86,658)	(129,364)
Other finance income	6	37,000	170,000
Interest receivable and similar income	7		
Company		15,873	75,726
Joint venture		115	239
		15,988	75,965
Interest payable and similar charges	8		
Company		(707)	(637)
<b>(Loss)/Profit on ordinary activities before taxation</b>		(34,377)	115,964
Tax credit/(charge) on profit on ordinary activities	9	16,844	(1,169)
<b>Retained (loss)/profit for the year</b>	19	(17,533)	114,795

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

# JOHN SWAN LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 APRIL 2009

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	Notes	2009 £	2008 £
(Loss)/Profit for the financial year		(17,533)	114,795
Difference between actual and expected return on pension scheme assets	24	(95,000)	(128,000)
Experience (losses)/gains arising on pension scheme liabilities	24	(61,000)	99,000
Effects of changes in assumptions underlying the present value of pension scheme liabilities	24	694,000	544,000
Deferred tax liability associated with movement on pension scheme surplus		<u>(151,000)</u>	<u>(120,000)</u>
<b>Total recognised gains and losses relating to the year</b>		<u>369,467</u>	<u>509,795</u>



# JOHN SWAN LIMITED

## BALANCE SHEET AS AT 30 APRIL 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	10	432,957	427,330
Investment in joint venture	11	<u>8,485</u>	<u>8,400</u>
		441,442	435,730
<b>Current assets</b>			
Stock	12	-	108,059
Debtors	13	3,616,087	3,314,376
Cash at bank and in hand		<u>124,339</u>	<u>93,105</u>
		3,740,426	3,515,540
<b>Creditors: amounts falling due within one year</b>	14	<u>(707,641)</u>	<u>(506,472)</u>
<b>Net current assets</b>		<u>3,032,785</u>	<u>3,009,068</u>
<b>Total assets less current liabilities</b>		3,474,227	3,444,798
<b>Creditors: amounts falling due after more than one year</b>	15	-	(4,371)
<b>Provisions for liabilities</b>	16	(26,521)	(24,388)
<b>Accruals and deferred income</b>	17	<u>(16,000)</u>	<u>(16,800)</u>
		3,431,706	3,399,239
<b>Pension scheme assets</b>	24	<u>1,572,000</u>	<u>1,235,000</u>
		<u>5,003,706</u>	<u>4,634,239</u>
<b>Capital and reserves</b>			
Called up share capital	18	3,000,000	3,000,000
Profit and loss account	19	<u>2,003,706</u>	<u>1,634,239</u>
<b>Shareholders' funds – equity interests</b>	20	<u>5,003,706</u>	<u>4,634,239</u>

These financial statements were approved and authorised for issue by the Board on 31 July 2009.

J C Clark  
Director



# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2009

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### 1 Accounting policies

#### 1.1 Accounting convention

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

The company has taken advantage of the exemption in Financial Reporting Standard No.1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group.

#### 1.2 Turnover

Turnover represents commission, fees, credit charges, sales of livestock and other ancillary income, excluding value added tax, wholly within the United Kingdom, and is recognised on the completion of each sale.

#### 1.3 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	4% straight line
Plant and machinery	10% and 20% reducing balance and 25% straight line
Motor vehicles	25% straight line

#### 1.4 Investment in joint venture

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

#### 1.5 Stocks

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

#### 1.6 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.

#### 1.7 Pension costs

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

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2009

### 1.8 Grants

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

### 1.9 Leases

#### Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

#### Operating leases

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

## 2 Turnover

The company's turnover for the year ended 30 April 2009 consisting of commission, fees, credit charges, sales of livestock and the surplus on ancillary activities was £2,396,247 (2008 - £1,518,130), and relates wholly to the UK market. Income is recognised on the completion of each sale.

During the year the Wooler operation traded as principal in the sale of livestock. The value of the sales of £463,260 is included in Turnover and the cost of the livestock sold is included in Other operating charges and is shown in Note 5. With effect from 1 May 2009 this trading has ceased.

## 3 Staff costs

### Number of employees

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

	2009 No	2008 No
Office and management	23	23
Other permanent staff	6	7
Part time staff	6	4
	<u>35</u>	<u>34</u>

### Employment costs

	2009 £	2008 £
Wages and salaries	735,094	705,205
Social security costs	53,486	52,462
Pension scheme current service costs – FRS 17 (see Note 24)	144,000	162,000
Death in service premium	22,000	-
	<u>954,580</u>	<u>919,667</u>

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

<b>4</b>	<b>Directors' emoluments</b>	<b>2009</b> £	<b>2008</b> £
	Emoluments for qualifying services	<u>253,931</u>	<u>274,401</u>
	The directors' emoluments for qualifying services disclosed above include the following amount paid to the highest paid director :		
	Emoluments	<u>60,724</u>	<u>55,620</u>
	Accumulated accrued pension at age 65	<u>33,546</u>	<u>32,728</u>
	The number of directors for whom retirement benefits are accruing under the company's defined benefit scheme amounted to 5 (2008 – 6). The company made a contribution of £38,000 to the pension scheme in the year, although this contribution was not specifically made in favour of the directors (see Note 24).		
<b>5</b>	<b>Operating loss</b>	<b>2009</b> £	<b>2008</b> £
	Operating loss is stated after charging :		
	Purchases of livestock for resale	465,126	-
	Bad and doubtful debts	97,170	18,287
	Depreciation of tangible assets	78,493	74,580
	Auditors' remuneration	8,900	8,400
	and after crediting:		
	Profit on disposal of tangible assets	(6,000)	(2,200)
	Deferred income release	<u>(800)</u>	<u>(800)</u>
<b>6</b>	<b>Other finance income</b>	<b>2009</b> £	<b>2008</b> £
	Other finance income – FRS 17 (see Note 24)	<u>37,000</u>	<u>170,000</u>
<b>7</b>	<b>Interest receivable and similar income</b>	<b>2009</b> £	<b>2008</b> £
	Bank and other interest	<u>15,988</u>	<u>75,965</u>
<b>8</b>	<b>Interest payable and similar charges</b>	<b>2009</b> £	<b>2008</b> £
	Interest	77	7
	Finance charges	<u>630</u>	<u>630</u>
		<u>707</u>	<u>637</u>

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

9	Taxation	2009 £	2008 £
	Current tax:		
	UK corporation tax charge on profit of the period		
	- Company	-	-
	- Joint venture	23	47
	Over-provided in previous period		
	- Company	-	(376)
		23	(329)
	Deferred tax:		
	Origination and reversal of timing differences	2,133	(502)
	<b>Total current tax charge/(credit) (see below)</b>	2,156	(831)
	Deferred tax:		
	FRS 17 – Company	(19,000)	2,000
	Tax (credit)/charge on profit on ordinary activities	(16,844)	1,169
	<b>Factors affecting the tax charge for the year</b>		
	(Loss)/Profit on ordinary activities before taxation	(34,377)	115,964
	(Loss)/Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2008 – 20.08%)	(7,219)	23,286
	Effects of:		
	Non deductible expenses	5,735	1,405
	FRS 17	14,490	(1,606)
	Adjustment to tax charge in respect of previous period	-	(376)
	Other tax adjustments	(10,850)	(23,540)
		9,375	(24,117)
	<b>Current tax charge/(credit) (see above)</b>	2,156	(831)

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

<b>10</b>	<b>Tangible fixed assets</b>	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
	<b>Cost</b>				
	At 1 May 2008	178,728	671,111	274,020	1,123,859
	Additions	-	20,240	77,375	97,615
	Disposals	-	-	(79,628)	(79,628)
	At 30 April 2009	178,728	691,351	271,767	1,141,846
	<b>Depreciation</b>				
	At 1 May 2008	28,596	500,594	167,339	696,529
	On disposals	-	-	(66,133)	(66,133)
	Charge for the year	7,149	21,285	50,059	78,493
	At 30 April 2009	35,745	521,879	151,265	708,889
	<b>Net book value</b>				
	At 30 April 2009	142,983	169,472	120,502	432,957
	At 30 April 2008	150,132	170,517	106,681	427,330

The net book value of motor vehicles of £120,502 (2008 - £106,681) includes £3,309 (2008 - £6,363) in respect of an asset held under a finance lease. The depreciation charge in respect of this asset amounted to £3,054 (2008 - £3,055) for the year.

11	Fixed asset investment	Unlisted investment £
	Cost	
	At 1 May 2008 and 30 April 2009	<u>5,000</u>
	Joint Venture	
	The Company's 50% share of the joint venture Braveheart Beef (Scotland) Limited, at 30 April 2009 and 2008, was as follows :	
		2009 £
		2008 £
	Share of turnover	<u>-</u>
	Share of profit before tax	108
	Taxation	<u>(23)</u>
		<u>85</u>
	Share of assets :	
	Current assets	8,508
	Share of liabilities:	
	Due within one year or less	<u>(23)</u>
		<u>8,485</u>
		8,400

The joint venture has not traded since 30 April 2005.

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

<b>12</b>	<b>Stock</b>	2009 £	2008 £
	Livestock	-	108,059
<b>13</b>	<b>Debtors</b>	2009 £	2008 £
	Trade debtors	3,574,745	3,280,952
	Amounts owed by parent undertaking	-	10,593
	Other debtors	1,470	2,828
	Prepayments and accrued income	39,872	20,003
		<u>3,616,087</u>	<u>3,314,376</u>
<b>14</b>	<b>Creditors: amounts falling due within one year</b>	2009 £	2008 £
	Bank overdraft	523,661	357,344
	Obligations under finance leases	4,371	2,478
	Trade creditors	44,033	25,574
	Other taxes and social security costs	38,391	44,375
	Other creditors	11,540	35,193
	Accruals and deferred income	85,645	41,508
		<u>707,641</u>	<u>506,472</u>
The Royal Bank of Scotland plc holds a bond and floating charge over the assets of the company for the provision of overdraft facilities during peak trading periods.			
<b>15</b>	<b>Creditors: amounts falling due after more than one year</b>	2009 £	2008 £
	Obligations under finance leases	-	4,371
	<b>Loan maturity analysis</b>		
	In more than one year but not more than two years	-	4,371
<b>16</b>	<b>Provisions for liabilities</b>	2009 £	2008 £
	Provision for deferred tax		
	Accelerated capital allowances	26,521	24,388
<b>17</b>	<b>Accruals and deferred income</b>	2009 £	2008 £
	<b>Government Grants</b>		
	Balance at 1 May 2008	16,800	17,600
	Amortisation in the year	(800)	(800)
	Balance at 30 April 2009	<u>16,000</u>	<u>16,800</u>

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

<b>18</b>	<b>Share capital</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	<b>Authorised</b>		
	3,000,000 Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
	<b>Allotted, called up and fully paid</b>		
	3,000,000 Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

<b>19</b>	<b>Profit and Loss Account</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Balance at 1 May 2008	1,634,239	1,124,444
	(Loss)/Profit for the financial year	(17,533)	114,795
	Other recognised gains and losses relating to the year	<u>387,000</u>	<u>395,000</u>
	Balance at 30 April 2009	<u>2,003,706</u>	<u>1,634,239</u>

The profit and loss account balance at 30 April 2009 of £2,003,706 (2008: £1,634,239) includes a surplus on the pension scheme at that date of £1,572,000 (2008: £1,235,000) which is not distributable (see Note 24).

<b>20</b>	<b>Reconciliation of movements in equity shareholders' funds</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	(Loss)/Profit for the financial year	(17,533)	114,795
	Other recognised gains and losses relating to the year	<u>387,000</u>	<u>395,000</u>
		369,467	509,795
	Balance at 1 May 2008	<u>4,634,239</u>	<u>4,124,444</u>
	Closing shareholders' funds	<u>5,003,706</u>	<u>4,634,239</u>

### 21 Capital commitments

The company had no capital commitments at 30 April 2009 or 30 April 2008.

### 22 Control

The ultimate parent company is John Swan & Sons PLC, a company registered in Scotland.

John Swan & Sons PLC prepares group financial statements and copies can be obtained from its registered office at 6 St Colme Street, Edinburgh EH3 6AD.

### 23 Related party transactions

The company has taken advantage of the exemptions allowed by FRS 8 for wholly owned subsidiary undertakings from disclosing transactions with other group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

The non-executive farming directors of the company 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 company. At 30 April 2009 the company was due a balance of £18,875 by Messrs S & J Allen, a business in which Mr JD Allen is involved. This balance has been paid since 30 April 2009.



# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

### 24 Pension commitments

#### Defined benefit scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. 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 assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 7.4% per annum and that salary increases would average 5.2% per annum.

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 Company's and the employees' contributions were suspended temporarily from 1 May 1993. However, on the actuary's recommendation, the company and the Trustees of the scheme have agreed that in the period from 10 July 2008 to 31 July 2013, the company will pay contributions (including death in service premiums) of £60,000 per annum covering each scheme year from 1 May to 30 April. The first such contribution was due and paid by 30 April 2009.

#### Composition of the scheme

The company operates a UK-based defined benefit scheme providing benefits at retirement and on death-in-service. A full actuarial valuation was carried out at 1 May 2007 and updated to 30 April 2009 by a qualified independent actuary. The major assumptions used by the actuary were :

	30 April 2009	30 April 2008
Discount rate	6.9%	6.2%
Retail price inflation	3.4%	3.4%
Salary increase rate	4.4%	4.4%
Pension increases (Limited Price Indexation) - LPI maximum 5%	3.4%	3.4%
Deferred pension revaluation	3.4%	3.4%

The mortality assumptions adopted estimate life expectancies from age 65 for men and women of 20.8 years and 24.0 years respectively and from 65 for men and women aged 45 now of 22.6 years and 26.0 years respectively.

The amounts recognised in the balance sheet are as follows:

	2009 £'000	2008 £'000
Fair value of scheme assets	5,737	5,621
Present value of funded obligations	(3,553)	(3,906)
Surplus	2,184	1,715
Related deferred tax	(612)	(480)
Net asset (in the balance sheet)	1,572	1,235

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

### 24 Pension commitments (Continued)

The amounts recognised in the profit and loss account are as follows:

	2009 £'000	2008 £'000
Current service cost	144	162
Interest on obligation	242	228
Expected return on asset	(279)	(398)
Total operating charge/(credit)	<u>107</u>	<u>(8)</u>
Actual return on scheme assets	<u>184</u>	<u>270</u>

Changes in the fair value of the scheme assets are as follows:

	2009 £'000	2008 £'000
Fair value of scheme assets at 1 May 2008	5,621	5,415
Expected return	279	398
Contributions	38	-
Benefits paid	(106)	(64)
Actual return less expected return on assets	(95)	(128)
Fair value of scheme assets at 30 April 2009	<u>5,737</u>	<u>5,621</u>

Changes in the present value of the defined benefit obligation are as follows:

	2009 £'000	2008 £'000
Defined benefit obligation at 1 May 2008	(3,906)	(4,223)
Current service cost	(144)	(162)
Interest on obligation	(242)	(228)
Past service cost	-	-
Benefits paid	106	64
Actuarial loss or (gain) on obligation	633	643
Defined benefit obligation at 30 April 2009	<u>(3,553)</u>	<u>(3,906)</u>

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £60,000 (including death in service premiums).

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2009	2008
Equities	-	-
Bonds	-	-
Other - cash	100.0%	100.0%

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 30 April 2009 invested in cash, the overall expected rate of return, weighted by asset allocation, is 3%.

# JOHN SWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2009

### 24 Pension commitments (Continued)

Amounts for the current and previous four periods are as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Scheme assets	5,737	5,621	5,415	5,127	4,087
Defined benefit obligation	(3,553)	(3,906)	(4,223)	(4,114)	(3,378)
Surplus	<u>2,184</u>	<u>1,715</u>	<u>1,192</u>	<u>1,013</u>	<u>709</u>
Experience adjustments on scheme assets	(95)	(128)	9	831	10
Experience adjustments on scheme liabilities	<u>(61)</u>	<u>99</u>	<u>(28)</u>	<u>(153)</u>	<u>139</u>

### 25 Other financial commitments

At 30 April 2009 the company was committed to making the following payments under a non-cancellable operating lease in the year to 30 April 2010:

	Land and buildings	
	2009 £	2008 £
Operating lease which expires:		
Within 1 year	-	-
Within 2 to 5 years	17,250	-
After 5 years	-	-
	<u>17,250</u>	<u>-</u>