

The Buccleuch Estates Limited
Consolidated financial statements
For the year ended 31 October 2007



Company No. SC012615

Officers and professional advisers

Company registration number SC012615

Registered office Head Office
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SELKIRK
TD7 5ES

Directors The 10th Duke of Buccleuch and 12th Duke of
Queensberry KBE DL
The Duchess of Buccleuch and Queensberry
Jane, Duchess of Buccleuch
The Earl of Dalkeith
Lord Damian Scott
Lord John Scott
M D Clarke
P J Scott Plummer

Secretary M J McGrath

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Chartered Accountants
Registered Auditors
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Chairman's statement

Chairman's statement

I record with the deepest sadness the death of our Chairman, The 9th Duke of Buccleuch and 11th Duke of Queensberry KT on 4th September 2007. He chaired the company with unstinting commitment and wisdom for almost 35 years following the death of his father in 1973. With his passion for the countryside founded on profound knowledge and insight he ensured that the Buccleuch Estates remained in the vanguard of innovative and energetic land management. His outstanding stewardship of his great inheritance will always be remembered as will the inspirational leadership he gave to all who care about the countryside.

Group Summary

For the Group, 2007 was another year of progress as it consolidated previous acquisitions and capitalised on successful joint venture partnerships.

Group turnover increased as a result of the inclusion of last year's acquisitions within the Buccleuch Ventures Division and the expansion of Game & Country Enterprises Limited during the year. The Commercial Property Division continued to prosper. I report on these areas below. The Group operating loss reflected continued expenditure on the built and natural heritage and also on property repairs and employment across our rural estates. Strong profits were generated by the sale of properties from our commercial investment and development portfolio. We continued the programme of streamlining the Estates, selling £4.9m of rural property (2006: £4.9m). Despite deterioration in the property market the value of the Group's investment property portfolio rose and its share of associates' profits increased significantly, which contributed to an improvement in Group net assets of £16.8m.

Rural Estates Division

We continued to invest significantly in the restoration of the built and natural heritage within our care together with repairs and renewal of the fabric of our rural estates. This work continued despite increasing contractor and material external costs. There continued to be strong demand for our residential property and satisfactory rental growth.

Overall 2007 was a satisfactory year for the Rural Estates Division with some encouraging improvement in forestry values and timber prices and in the cereal and milk sectors. Whilst it is felt that there will be a sustained improvement in these sectors in the next year and beyond, it is likely that timber prices will drop back a little as supply increases to meet current shortfalls in demand.

New technologies gave rise to new opportunities for the use of our rural assets such as renewable energy, improved animal breeding and free range egg production. Our free range egg enterprise on the Bowhill Estate continued to be successful and we are currently seeking planning consent for a second unit.

Commercial Property Division

We benefited from a very successful year, with turnover and profit before tax increasing significantly compared to the prior year. The Native Land joint venture was a notable performer particularly with the disposal of Clan Real Estate (Lamb's Club) Limited and the development profits realised from the Montrose Place scheme.

Chairman's statement (continued)

Towards the end of the financial year, we started to experience a deterioration in market conditions which has led to one of the fastest corrections experienced in the property industry in recent times. Our investment portfolio was revalued at the year end and the impact of weakening yields was to a large extent offset by the gains which had been made by active asset management and occupational take up. Net assets of the division rose by £6.0m to £49.6m which represented a 131% increase in net asset value over a three year period.

With continued malaise across most aspects of the wider economy, the threat of recession and the credit crisis showing little signs of abating, the property market has continued to deteriorate post year end. We are very cautious about the outlook for 2008 and do not expect to generate the same level of exceptional returns as 2007.

In respect of our existing portfolio, we are of the opinion that this is a time for a steady hand and whilst recognising that we will have been affected by the falling values, we remain confident that the majority of our assets remain robust in the context of their historic acquisition prices, strong cashflow and our ability to add value. We regularly assess the risks inherent in our business and are live to the threat of occupational demand and tenant failures should the economy falter further.

We also believe that current market conditions will present exciting opportunities for our business. Both timing and financial capacity will be key to taking advantage of situations which arise and we are fortunate to have the benefit of committed facilities through our long standing banking relationships which are adequately protected by interest rate hedging. Together with a significant equity base and the diversification created by our core business streams, we remain well placed to both weather current market conditions and capitalise on new opportunities.

Buccleuch Ventures Division

2007 was primarily a year of consolidation for the Buccleuch Ventures Division, concentrating on the integration of the previous year's acquisitions.

During the year we acquired Spratts Game Foods which now operates as a division of Game & Country Enterprises Limited, our game and country pursuits equipment merchants. This acquisition has significantly increased the turnover of the Buccleuch Country sub division.

Within our Professional Services sub division, Buccleuch John Sale moved into the new homes market working with a range of established developers, and Buccleuch Town & Country formed an association with Jackson Stops & Staff, one of the leading estate agents in England. This association is a real opportunity for Buccleuch Town & Country and Buccleuch John Sale to increase their profile in the English marketplace.

Buccleuch Heritage Brands continued to contribute significantly to Group turnover through the direct supply of Buccleuch Scotch Beef and other premium foods to hotels and restaurants throughout the United Kingdom and to the public via its website www.buccleuchfoods.com

The Group also continued to promote the use of renewable energy through the installation of industrial and commercial scale biomass heating solutions by Buccleuch Bioenergy Limited. High profile installations during the year included The Gleneagles Hotel and the new Queen Margaret University campus.

Chairman's statement (continued)

Outlook

The impact of the current unprecedented difficulties in the financial markets continues to filter through to the wider economy. Prudence and caution will help guide our approach as we remain mindful of the difficult environment and alert to new opportunities.

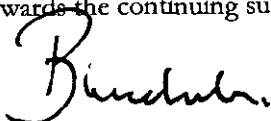
Conclusion

The Group is committed to reducing its impact on climate destabilisation across all its activities. We are actively promoting policies and attitudes that respond to the growing concern about climate destabilisation and the need for individuals and businesses within the Group to ensure the most efficient use of resources. In 2007 we committed to pledges at the HRH Prince of Wales May Day Climate Change Summit in Edinburgh and continue to work on raising employee understanding and incorporating environmental awareness into the day to day running of the Buccleuch businesses.

The success stories for the Group this year would not have been possible without the significant contribution made to strategic decision making by the Buccleuch Group directors, and by the loyalty and skills of our employees.

I would like to take this opportunity to welcome to the Board Walter, The Earl of Dalkeith, who was appointed with effect from 1 November 2007.

On behalf of the Board, I would like to thank all our stakeholders, particularly our employees, tenants, contractors, suppliers, professional advisers, bankers and joint venture partners for their contribution towards the continuing success of the Buccleuch Group.



Buccleuch
13 August 2008

Report of the directors

The directors have pleasure in presenting their report and consolidated financial statements of the company and its subsidiary undertakings for the year ended 31 October 2007

Principal activities and business review

The principal activities of the group during the year were rural and commercial property management and investment in the UK, Europe, USA and Australia together with the development of its rural activities and venture businesses. The commercial property operation and the sale of rural property continue to contribute significantly to the group's results.

The directors monitor several Key Performance Indicators on a monthly basis comparing actual figures against those budgeted. The main indicators are

- Turnover and gross margin
- Commercial and rural property disposals
- Level of investment in both investment and development property projects and investments in joint ventures
- Cash and borrowing levels

Results and dividends

The group profit for the year after taxation and minority interests was £4,574m (2006: loss £1,976m). The company proposed dividends in respect of the year totalling £nil (2006: £500,000) and paid dividends during the year totalling £100,000 (2006: £500,000).

Post balance sheet events

Details of post balance sheet events are set out in note 36 to the financial statements.

Financial risk management objectives and policies

The group uses various financial instruments including loans, cash, equity investments, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

Report of the directors (continued)

Financial risk management objectives and policies (continued)

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. In order to manage the group's exposure to those risks, in particular the group's exposure to interest rate risk and currency risk the group enters into a number of derivative transactions including, but not limited to, variable to fixed rate interest swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The group is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency.

Price risk

The group's exposure to price risk consists mainly of movements in the value of the group's investments in commercial property, rural property and securities.

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.

Interest rate risk

The group finances its operations through a mixture of retained profits and bank borrowings. The group's exposure to interest rate fluctuations on its borrowings are managed by the use of both fixed and floating facilities. It is the group's policy to keep a proportion of its borrowings at fixed rates of interest.

Credit risk

The group's principal financial assets are cash and trade debtors. The principal credit risk arises from its trade debtors. In order to manage credit risk aged debtors are monitored on a regular basis and credit control measures are carried out where necessary.

Market value of heritable properties

Commercial investment properties are included in the financial statements at market value, however, the market value of the group's interests in rural property is significantly higher than the amount at which they are included in the balance sheet. In the opinion of the directors it is not practical to indicate the difference with any degree of precision. Details of the movement of fixed assets are shown in note 13 to the financial statements.

Report of the directors (continued)

Directors

The directors who served the company during the year were as follows

His Grace, The 9th Duke of Buccleuch and 11th Duke of Queensberry KT (deceased 4th September 2007)

The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL

The Duchess of Buccleuch and Queensberry

Jane, Duchess of Buccleuch

Lord Damian Scott

Lord John Scott

M D Clarke

P J Scott Plummer

The Earl of Dalkeith was appointed as a director on 1st November 2007

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the group'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 that information

Report of the directors (continued)

Charitable and political contributions

Charitable contributions of £224,347 (2006 £797,678) were made during the year. Contributions of £15,700 (2006 £1,500) were made to the Conservative Party.

Employees

The average monthly number employed during the year was 495 full time employees (2006 469) and 56 part time employees (2006 63). The group employs a wide range of people and welcomes the contribution which this diversity brings. The group will, where possible, in cases where employees become disabled in the course of their employment continue that employment. The group operates best practice Human Resources policies and communication structures designed to meet the needs of the group. These policies have resulted in the holding company and certain subsidiaries of the group being awarded the "Investors in People" Standard.

Auditor

A resolution to re appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



M D Clarke
Director

13/08/08

Report of the independent auditor to the members of The Buccleuch Estates Limited

We have audited the group and parent company financial statements ("the financial statements") of The Buccleuch Estates Limited for the year ended 31 October 2007 on pages 11 to 55. These financial statements have been prepared under the accounting policies set out on pages 11 to 15.

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

Respective responsibilities of directors and auditor

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Chairman's Statement and Report of the directors 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 read the Chairman's Statement and Report of the directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

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

Report of the independent auditor to the members of The Buccleuch Estates Limited (continued)

Qualified opinion arising from disagreement about accounting treatments

As described in the accounting policies, the group's previous practice in relation to sales of certain property was to deduct the net proceeds of sale from the book value of heritable property. This practice resulted in certain companies within the group writing down both rural property and commercial investment property to below historic cost. At 31 October 2003 the directors wrote up the book value of rural property to £1. Disposal proceeds of rural property are now taken to the profit and loss account as gains. As a result of this practice the results for the year have not been computed in accordance with generally accepted accounting practice and the heritable property and profit and loss reserves as shown in the financial statements are understated. It is not possible to quantify the amount by which rural property and profit and loss reserves are understated as it is not practical to obtain the historic cost information.

Commercial property and rural property held for letting are investment properties as defined by Statement of Standard Accounting Practice No 19. Contrary to standard accounting practice, rural property held for letting has not been included in the financial statements at an open market value and consequently rural property held for letting and revaluation reserves as shown in the financial statements are understated. It is not possible to quantify the amount by which the market value of rural property held for letting exceeds the book value as the market value information is not available.

Opinion

Except for the matters noted above, in our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 October 2007 and of the group's profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Chairman's Statement and Report of the directors is consistent with the financial statements for the year ended 31 October 2007



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

25/8/08

Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The company's interests in joint ventures and associates are accounted for using the gross equity method. The results of companies acquired or disposed of are included in the profit and loss account after, or up to, the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Intangible assets

Purchased intangible fixed assets are initially recorded at cost and depreciated over their useful lives. No depreciation is provided on farming quotas not having a finite useful life, with any permanent diminution in value recognised in the period in which it occurs.

Milk quotas	length of the quota
Single farm payment entitlement	over the length of the entitlement
Goodwill	10 years

Tangible fixed assets

Tangible fixed assets are originally stated at cost.

Heritable properties

Heritable property, other than property owned by Buccleuch Properties Limited and its subsidiaries was written back to £1 as at 31 October 2003, as it had been negative prior to that due to the practice of deducting the proceeds of sale of property from the book cost. The group's policy, applicable from 1 November 2003 is to capitalise the cost of improvements made to such property. This policy applies to rural properties held for letting which fall within the definition of investment properties under SSAP 19 and should therefore be shown at market value. In the opinion of the directors it is not practical to estimate a market value for such properties. Other property included in the balance sheet at historic cost is property under development at the year end and property occupied by group undertakings. Proceeds of disposals of heritable property, other than property owned by Buccleuch Properties Limited and its subsidiaries are treated as gains on sale, after setting off any improvement expenditure and expenses of sale.

Accounting Policies (continued)

Tangible fixed assets (continued)

Investment properties

Investment properties, other than rural properties held for letting, are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with SSAP 19 'Accounting for Investment Properties' which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the group and so their current value is of prime importance. In the opinion of the directors, the departure from the provisions of the Act is required in order to give a true and fair view.

Assets in the course of construction

Assets in the course of construction are those properties in respect of which construction and development have not been completed at the balance sheet date, and are reflected at cost, including an allocation of interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. Upon completion of construction the assets will be reclassified as investment properties or stock. Assets in the course of construction are not depreciated.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Capital improvements	25 years
Heritable property	50 years
Leasehold improvements	the life of the lease
Plant and machinery	5 years
Fixtures, fittings and equipment	5 years
IT equipment	3 years
Land is not depreciated	

Accounting Policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on a valuation which approximates to estimated purchase cost or cost of production after making allowances for obsolete and slow moving items and net realisable value on the estimated proceeds of sale less expenses of sale.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Costs represent direct materials plus attributable overheads and finance charges incurred in development.

Turnover

The turnover shown in the profit and loss account represents amounts earned during the year together with turnover recognised on long term contracts in progress at the year end.

Rental and service charge income

Commercial investment property rental and service charge income is accounted for on the accruals basis. Rental income from traditional estate properties is accounted as the income is earned.

Investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

Certain subsidiary undertakings have invested in farming partnerships and the investment represents the amount of fixed capital contributed by these subsidiary undertakings together with balances on partnership current accounts.

Pensions

The majority of the employees of the group companies are members of a group pension scheme. Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Contributions payable to the defined contribution scheme are charged to the profit and loss account in the period in which they are incurred.

Negative goodwill

Negative goodwill arising on consolidation reflects the amount by which the fair value of the net assets of certain subsidiary and joint venture interests exceeds the fair value of the consideration paid on acquisition by the company of these interests. Negative goodwill is recognised in the profit and loss account in the years in which the company's investments in subsidiaries and joint ventures are recovered whether through impairment or disposal.

Accounting Policies (continued)

Positive goodwill

Goodwill represents the excess of the cost of acquisition over the aggregate fair value of the separable net assets acquired. Goodwill is amortised through the profit and loss account on a straight line basis over its estimated useful life of 10 years. Any impairment is written off to the profit and loss account in the year in which it is identified by the directors.

Deferred taxation

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Accounting Policies (continued)

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Foreign currencies

Foreign currency assets are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. All differences are taken to the profit and loss account, except those arising on the net investment in foreign enterprises, these being taken directly to reserves.

Government grants

Government grants on capital expenditure are treated as deferred income and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants of a revenue nature are credited to income in the period to which they relate.

Single farm payment

Single farm payments are receivable on a calendar year basis, having begun on 1 January 2005. The annual payment only becomes receivable once a 10 month occupation period is completed, and no income is recognised until this occurs.

Once the occupation period is complete, the income is recognised pro rata over the calendar year.

Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Consolidated profit and loss account

	Note	2007 £000	2006 £000
Turnover (including share of joint ventures)		55,585	44,719
Less share of joint venture		8,278	4,699
Group turnover	1	47,307	40,020
Cost of sales		31,029	29,733
Gross profit	1	16,278	10,287
Other operating charges	1	23,190	18,983
Group operating loss	2	(6,912)	(8,696)
Share of joint ventures' operating profit		1,696	2,827
Share of associates' operating profit		7,198	58
Total operating profit/(loss) of the group, joint ventures and associates		1,982	(5,811)
Diminution in value of investment properties/investments		(1,567)	(50)
Diminution in value of other fixed assets		(300)	
Loss on retranslation		(17)	(35)
Profit on disposal of investment properties		9,343	8,497
Profit on disposal of securities		535	1,111
Profit on disposal of other fixed assets		55	625
Income from participating interests		34	199
Income from other fixed asset investment	5	2,914	2,477
Interest receivable and similar income	6	2,164	204
Interest payable and similar charges	7	(10,965)	(8,377)
Profit/(loss) on ordinary activities before taxation		4,178	(1,160)
Taxation	8	298	(512)
Profit/(loss) on ordinary activities after taxation		4,476	(1,672)
Equity minority interests	9	98	(304)
Profit/(loss) for the financial year	28	4,574	(1,976)

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own profit and loss account

Consolidated statement of total recognised gains and losses

	Note	2007 £000	2006 £000
Profit/(loss) for the financial year		4,574	(1,976)
Net surplus on revaluation of investment property			
Group		(951)	5,653
Joint Ventures		11,418	2,014
Currency translation differences on foreign currency net investments		582	(295)
Actuarial gain in pension scheme		2,266	1,677
Movement on deferred taxation relating to pension liability		(812)	(479)
Total recognised gains and losses for the year		<u>17,077</u>	<u>6,594</u>
Prior year adjustment	33		(6,055)
Total recognised gains and losses since last report		<u>17,077</u>	<u>539</u>

Consolidated statement of historic cost gains and losses

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before taxation	4,178	(1,160)
Realisation of property revaluation gains of previous years	2,181	3,095
Historical cost profit on ordinary activities before taxation	<u>6,359</u>	<u>1,935</u>
Historical cost profit for the year retained after taxation and minority interests	<u>6,755</u>	<u>1,119</u>

Consolidated balance sheet

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	12	5,773	5,849
Tangible assets	13	122,846	121,240
		<u>128,619</u>	<u>127,089</u>
Investments	14	24,372	25,406
Loans	14	28	37
Interests in associates	15	3,609	5,630
		<u>28,009</u>	<u>31,073</u>
Investment in joint ventures	15		
Share of gross assets		68,298	59,765
Share of gross liabilities		(35,652)	(40,475)
		<u>32,646</u>	<u>19,290</u>
Share of net assets			
Loans to joint ventures	15	2,790	7,202
Goodwill	15	9	11
		<u>35,445</u>	<u>26,503</u>
Current assets			
Stocks	16	30,508	9,606
Debtors amounts falling due within one year	17	14,060	22,274
Debtors amounts due after one year	18	159	349
Cash at bank and in hand		20,329	14,269
		<u>65,056</u>	<u>46,498</u>
Creditors: amounts falling due within one year	19	<u>(37,763)</u>	<u>(34,182)</u>
Net current assets		<u>27,293</u>	<u>12,316</u>
Total assets less current liabilities		<u>219,366</u>	<u>196,981</u>
Creditors, amounts falling due after more than one year	20	<u>(124,321)</u>	<u>(115,533)</u>
Provisions for liabilities	21	<u>(3,405)</u>	<u>(6,175)</u>
		<u>91,640</u>	<u>75,273</u>
Minority interests equity	9	(3,791)	(4,258)
non equity	9	(125)	(125)
Net assets		<u>87,724</u>	<u>70,890</u>

The accompanying accounting policies and notes form part of these financial statements.

Consolidated balance sheet (continued)

	Note	2007 £000	2006 £000
Capital and reserves			
Called up equity share capital	23	320	320
Special reserves	24	6,176	6,176
Revaluation reserve	26	29,588	21,090
Capital redemption reserve	27	80	80
Profit and loss account	28	51,560	43,224
Shareholders' funds	29	87,724	70,890

These financial statements were approved by the directors on behalf by

13/08/08

and are signed on their



The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL



M D Clarke

Company balance sheet

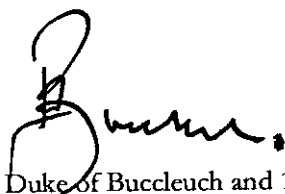
	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	12	218	261
Tangible assets	13	6,649	4,907
		<u>6,867</u>	<u>5,168</u>
Investments			
Shares in group undertakings	14	18,834	17,783
Loans to group undertakings	14	25,271	45,257
Other investments	14	11,751	9,857
Other loans	14	16	22
		<u>55,872</u>	<u>72,919</u>
Current assets			
Stocks	16	1,280	402
Debtors amounts falling due within one year	17	3,965	3,612
Cash at bank and in hand		8,140	4,342
		<u>13,385</u>	<u>8,356</u>
Creditors, amounts falling due within one year	19	<u>(8,503)</u>	<u>(11,870)</u>
Net current assets/(liabilities)		<u>4,882</u>	<u>(3,514)</u>
Total assets less current liabilities		67,621	74,573
Creditors' amounts falling due after more than one year	20	<u>(25,118)</u>	<u>(36,649)</u>
Net assets		<u>42,503</u>	<u>37,924</u>

Company balance sheet (continued)

	Note	2007 £000	2006 £000
Capital and reserves			
Called up equity share capital	23	320	320
Special reserves	24	5,544	5,544
Capital redemption reserve	27	80	80
Profit and loss account	28	36,559	31,980
Shareholders' funds	29	<u>42,503</u>	<u>37,924</u>

These financial statements were approved by the directors on
by

and are signed on their behalf



The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL



M D Clarke

Consolidated cash flow statement

	Note	2007 £000	2006 £000
Net cash flow from operating activities	31(a)	(5,978)	(17,188)
Returns on investments and servicing of finance		7,412	(2,580)
Taxation		239	(747)
Capital expenditure and financial investment		4,449	131
Acquisitions		(9,366)	(10,997)
Equity dividends paid		(100)	(500)
Net cash outflow before management of liquid resources and financing		(3,344)	(31,881)
Movement of liquid resources		513	(318)
Financing		8,029	27,524
Increase/(decrease) in cash	31(j)	<u>5,198</u>	<u>(4,675)</u>

Notes to the financial statements

1 Group turnover and gross profit

Group turnover, which is derived almost entirely from activities within the United Kingdom, represents the amount of goods sold and services provided in the normal course of business as well as revenue grants and excludes intra group transactions, trade discounts and value added tax. Group turnover is adjusted for deferred income as necessary.

Group turnover and gross profit is attributable to the following classes of activity

	2007		2006	
	Group Turnover £000	Gross Profit £000	Group Turnover £000	Gross Profit £000
Commercial property	8,951	6,693	9,076	5,593
Estate activities	8,297	2,351	6,959	(615)
Woodlands	3,583	1,023	3,100	557
Meat and specialty foods	4,201	1,268	3,856	1,356
Farming and livestock haulage	4,494	(87)	4,523	(82)
Management of properties open to the public	209	(266)	213	98
Renewable energy	820	88	441	(738)
Chartered surveyors and estate agency	2,304	1,512	2,127	1,393
Veterinary pharmacy and agricultural merchants	3,017	867	3,006	732
Animal feed supplements	5,214	652	4,264	689
Game and country pursuits equipment merchants	4,770	865	1,423	311
Equestrian and pet products merchants	1,447	1,312	1,032	993
Total	47,307	16,278	40,020	10,287

Notes to the financial statements (continued)

2 Operating loss

Group operating loss is stated after charging/(crediting)

	2007 £000	2006 £000
Auditor's remuneration		
Audit services	180	171
Non audit services	145	64
Charitable donations	224	798
Amortisation of intangible assets	907	533
Depreciation of owned assets	1,519	1,366
Depreciation of assets held under finance leases and hire purchase agreements	460	384
Government grants of a revenue nature		
Farming	(1,301)	(838)
Woodlands	(178)	(193)
Other	(33)	—

3 Directors' emoluments

Paid by the holding company

	2007 £000	2006 £000
Fees	1,136	874
Other emoluments (including pension contributions)	159	134
	<u>1,295</u>	<u>1,008</u>

Retirement benefits are accruing for five of the directors (2006 four) under defined contribution schemes and for one of the directors (2006 none) under a defined benefit scheme

The following details apply to the highest paid director:

Paid by the holding company

	2007 £000	2006 £000
Fees	484	401
Other emoluments (including pension contributions)		60
	<u>484</u>	<u>461</u>

Notes to the financial statements (continued)

4 Employees

The average monthly number of employees of the group during the year was made up as follows

	2007 No	2006 No
Full time employees	495	469
Part time employees	56	63
	<u>551</u>	<u>532</u>

Staff costs during the year amounted to

	2007 £000	2006 £000
Wages and salaries	11,683	11,123
Social security costs	1,156	1,031
Other pension costs	1,405	1,239
	<u>14,244</u>	<u>13,393</u>

5 Income from other fixed asset investments

	2007 £000	2006 £000
Listed investments	295	314
Unlisted investments	2,619	2,163
	<u>2,914</u>	<u>2,477</u>

6 Interest receivable and similar income

	2007 £000	2006 £000
Group	1,857	56
Joint ventures	307	148
	<u>2,164</u>	<u>204</u>

Notes to the financial statements (continued)

7 Interest payable and similar charges

	2007 £000	2006 £000
Bank loans and overdrafts	10,764	8,035
Pension scheme finance charge	55	252
Finance charges payable under finance lease and hire purchase agreements	146	76
Other interest		14
	<u>10,965</u>	<u>8,377</u>
Split as follows		
Group	8,977	6,749
Joint Ventures	1,988	1,628
	<u>10,965</u>	<u>8,377</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £000	2006 £000
UK corporation tax on results of the year	(373)	(17)
Adjustments in respect of previous years	(13)	391
Losses carried forward	81	
Share of tax of joint ventures	710	542
Total current tax	<u>405</u>	<u>916</u>
Deferred tax		
Origination and reversal of timing differences group	(573)	(601)
Origination and reversal of timing differences joint ventures	(172)	197
Effects of changes in tax rates	42	
Total deferred tax	<u>(703)</u>	<u>(404)</u>
Tax on profit/(loss) on ordinary activities	<u>(298)</u>	<u>512</u>

Notes to the financial statements (continued)

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before taxation	<u>4,178</u>	<u>(1,160)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation in the UK of 30% (2006 30%)	1,253	(348)
Effects of		
Expenses not deductible for tax purposes	862	616
Capital allowances in excess of depreciation	(707)	—
Depreciation in excess of capital allowances		70
Differences between accounting and taxable profits	(814)	(391)
Utilisation of tax losses	(48)	(1)
Capital items expensed		4
Negative goodwill amortisation		(67)
Other timing differences	(6)	(29)
Share of tax of joint ventures	151	
Adjustments to tax charge in respect of previous periods	(13)	391
Income not taxable	(354)	(470)
Tax losses carried forward	81	1,141
Current tax charge for the year	<u>405</u>	<u>916</u>

(c) Factors that may affect future tax charges

No provision has been made in respect of the revaluation of the group's freehold investment properties to market value The amount unprovided is £2,400,680 (2006 £4,114,478) at current rates of taxation At present, it is not envisaged that any tax will become payable in the foreseeable future

Notes to the financial statements (continued)

9 Minority Interests

	Equity £000	Non Equity £000	Total £000
At 1 November 2006	4,258	125	4,383
Loss on ordinary activities after taxation	(98)		(98)
Dividends paid and proposed	(690)		(690)
Revaluation of subsidiary undertaking's net assets	(472)		(472)
Acquisition of subsidiary undertakings	793		793
At 31 October 2007	<u>3,791</u>	<u>125</u>	<u>3,916</u>

10 Profit/(loss) for the financial year

The profit for the financial year dealt with in the accounts of the parent company was £4,578,271 (2006 loss £1,014,000)

11 Dividends

	2007 £000	2006 £000
Equity shares		
Dividends of £nil (2006 £1 56) per ordinary share paid		493
Dividends of £nil (2006 £1 56) per ordinary share proposed		493
		<u>986</u>
Non equity shares		
7% 1st and 2nd non cumulative preference shares		14
		<u>1,000</u>

Notes to the financial statements (continued)

12 Intangible fixed assets

Group

	Farming Quotas £000	Other £000	Goodwill £000	Total £000
Intangible assets				
Cost				
At 1 November 2006	2,031	126	5,308	7,465
Additions	18	10	1,166	1,194
Transfers from fixed assets		2		2
At 31 October 2007	<u>2,049</u>	<u>138</u>	<u>6,474</u>	<u>8,661</u>
Amortisation				
At 1 November 2006	857	126	633	1,616
Provided during the year	187	3	717	907
Impairment			365	365
At 31 October 2007	<u>1,044</u>	<u>129</u>	<u>1,715</u>	<u>2,888</u>
Net book values				
At 31 October 2007	<u>1,005</u>	<u>9</u>	<u>4,759</u>	<u>5,773</u>
At 31 October 2006	<u>1,174</u>	<u>—</u>	<u>4,675</u>	<u>5,849</u>

Company

	Farming Quotas £000
Intangible Assets	
Cost	
At 1 November 2006 and at 31 October 2007	<u>261</u>
Amortisation	
At 1 November 2006	—
Provided during the year	<u>43</u>
At 31 October 2007	<u>43</u>
Net book value	
At 31 October 2007	<u>218</u>
At 31 October 2006	<u>261</u>

Notes to the financial statements (continued)

13 Tangible fixed assets

Group

	Heritable Property and Improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 November 2006	119,236	10,807	673	130,716
Foreign exchange translation	(127)			(127)
Additions	29,273	1,401	153	30,827
Disposals	(9,262)	(658)	(34)	(9,954)
Transfers to stock	(15,129)			(15,129)
Impairment	(1,230)			(1,230)
Revaluation	(1,422)			(1,422)
At 31 October 2007	121,339	11,550	792	133,681
Depreciation				
At 1 November 2006	2,782	6,402	292	9,476
Charge for the year	460	1,333	186	1,979
On disposals	(197)	(393)	(30)	(620)
At 31 October 2007	3,045	7,342	448	10,835
Net book values				
At 31 October 2007	118,294	4,208	344	122,846
At 31 October 2006	116,454	4,405	381	121,240
Freehold	<u>105,874</u>			
Long leasehold	<u>12,420</u>			

Notes to the financial statements (continued)

13 Tangible fixed assets (continued)

Company

	Heritable Property and Improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 November 2006	4,575	1,708	96	6,379
Additions	2,511	171	20	2,702
Disposals	(514)	(81)	—	(595)
At 31 October 2007	6,572	1,798	116	8,486
Depreciation				
At 1 November 2006	159	1,270	43	1,472
Charge for the year	171	242	21	434
On disposals	(4)	(65)	—	(69)
At 31 October 2007	326	1,447	64	1,837
Net book values				
At 31 October 2007	6,246	351	52	6,649
At 31 October 2006	4,416	438	53	4,907

Notes to the financial statements (continued)

13 Tangible fixed assets (continued)

Included in the net book values of plant and machinery above are the following amounts relating to assets held under finance leases and hire purchase contracts

	2007 £000	2006 £000
Group	2,373	2,692
Company	83	79

Commercial properties within the group's investment portfolio with a historical cost of £80,233,041 and £10,355,572 (2006 £71,352,160 and £12,682,044) were revalued to market value as at 31 October 2007 by DTZ Chartered Surveyors and Steadman Brierley Surveyors, in accordance with the RICS Appraisal and Valuation Manual, respectively in the sums of £94,370,000 and £11,605,000 (2006 £85,791,540 and £17,295,000). The net revaluation surplus on the properties is included in the revaluation reserve.

14 Investments

(a) Group

	Participating interest £000	Listed £000	Unlisted £000	Total £000
Cost or valuation				
At 1 November 2006	3,043	7,252	15,111	25,406
Additions		522	2,400	2,922
Disposals		(209)	(3,854)	(4,063)
Share of partnership losses			14	14
Foreign exchange translation			93	93
At 31 October 2007	3,043	7,565	13,764	24,372

Notes to the financial statements (continued)

14 Investments (continued)

	2007 £000	2006 £000
Listed investments Market value	<u>16,199</u>	<u>15,053</u>
Unlisted investments Directors' valuation	<u>13,764</u>	<u>15,111</u>
Participating interest Directors' valuation	<u>3,043</u>	<u>3,043</u>

In the event of the investments being realised at the stated market value, the potential taxation liability, which has not been provided for, is estimated at £2,591,000 (2006 £2,342,000)

The participating interest represents a subsidiary undertaking's interest (£3,043,023) in Kirkhope Investments & Co, a Cayman Islands partnership in which the subsidiary undertaking is the limited partner

(b) Company

	Listed £000	Unlisted £000	Total £000
Cost or valuation			
At 1 November 2006	7,246	2,611	9,857
Additions	522	1,586	2,108
Disposals	(209)	(5)	(214)
At 31 October 2007	<u>7,559</u>	<u>4,192</u>	<u>11,751</u>

	2007 £000	2006 £000
Listed investments Market value	<u>16,156</u>	<u>15,013</u>
Unlisted investments Directors' valuation	<u>4,192</u>	<u>2,611</u>

In the event of the investments being realised at the stated market value, the potential taxation liability, which has not been provided for, is estimated at £2,579,000 (2006 £2,342,000)

Notes to the financial statements (continued)

14 Investments (continued)

	2007	2006
	£	£
Company shares at cost		
The Boughton Estates Limited	25,000	25,000
BQ Farms Limited	100	100
The Esk & Liddle Fishery Company Limited	11,051	51
Granton Assets Limited	9,000	9,000
Scotaus (Holdings) Proprietary Limited	3,107,103	3,076,635
BQ Energy (No 2) Limited	100	100
Tarras Investments Limited	3,030,711	3,030,711
Buccleuch Heritage Brands Limited	200,100	200,100
Sprague Brook Forest Inc	1,439,605	1,439,605
Buccleuch Properties Limited	10,000,000	10,000,000
Buccleuch Property Developments Limited	100	100
Buccleuch Ventures Limited	1,000	1,000
Buccleuch Sportings Limited	100	100
Buccleuch Building Services Limited	100	100
Buccleuch Woodlands Enterprises Limited	1,010,071	2
	18,834,141	17,782,604

(c) Loans

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
At 1 November 2006	37	848	22	700
Advances		20		20
Repayments	(9)	(831)	(6)	(698)
At 31 October 2007	28	37	16	22

The company and group balances comprise loans with no fixed repayment terms, and others wholly repayable within five years

Notes to the financial statements (continued)

14 Investments (continued)

(c) Loans (continued)

	2007 £000	2006 £000
Company		
Loans to/(from)		
The Boughton Estates Limited	(75)	(75)
Granton Assets Limited	(1,348)	(1,348)
Cheviot Investments Limited	10,500	16,414
Sprague Brook Forest Inc	650	606
Tarras Investments Limited	(389)	(255)
Buccleuch Properties Limited		(10,000)
Tarras Park Properties Limited	14,027	24,027
BQVT Limited	94	81
Buccleuch Woodlands Enterprises Limited		203
Buccleuch Town & Country Limited		50
	<u>23,459</u>	<u>29,703</u>
	2007 £000	2006 £000
Disclosed as		
Loans to group undertakings	25,271	45,257
Loans from group undertakings (note 20)	(1,812)	(15,554)
	<u>23,459</u>	<u>29,703</u>

The loans to group undertakings have no fixed dates for repayment. Interest is charged on group loans.

Notes to the financial statements (continued)

14 Investments (continued)

(d) Details of Subsidiary Undertakings

Subsidiary Undertakings	Principal Activity	Country of Incorporation or Registration	Class of Shares held	Proportion	Notes
Buccleuch Properties Ltd	Property Investment & Development	England	Ordinary	100%	1
Tarras Park Properties Ltd	Property Investment & Development	England	Ordinary	100%	2
Buccleuch Property (Kettering) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Shawfair) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Newcastle 55) Ltd	Property Investment	England	Ordinary	100%	3
Buccleuch Property (Tyne Tees) Ltd	Property Investment	England	Ordinary	100%	3
Buccleuch Property (Intercity) Ltd	Property Development	England	Ordinary	100%	3
Cheviot Investments Ltd	Property Investment	Scotland	Ordinary	75%	4
Buccleuch Property Investment Managers Ltd	Property Management Services	England	Ordinary	100%	5
Tarras Park Properties (Lewes) Ltd	Property Investment	England	Ordinary	100%	3
Tarras Park Properties (Crick) Ltd	Property Investment	England	Ordinary	100%	3
Bemco Developments Ltd	Property Development	Scotland	Ordinary	81%	3
Buccleuch Property (Scotch Corner) Ltd	Property Development	Scotland	Ordinary	81%	3
Buccleuch Property (Sheriffhall South) Ltd	Property Development	Scotland	Ordinary	91%	3
Buccleuch Property (Glenrothes) Ltd	Property Development	Scotland	Ordinary	100%	3
Buccleuch Property (Cambusmore) Ltd	Property Development	Scotland	Ordinary	100%	3
Tarras Park Properties (Germany) Ltd	Holding	Scotland	Ordinary	100%	3
BQ Farms Ltd	Farming	Scotland	Ordinary	100%	1
BQ Farming Partnerships Ltd	Farming	Scotland	Ordinary	100%	6
Eckford Farming Ltd	Farming	Scotland	Ordinary	100%	6
Drinkstone Farming Ltd	Farming	Scotland	Ordinary	100%	6
BQ Farms (South) Ltd	Farming	Scotland	Ordinary	100%	6
Langholm Farms Ltd	Farming	Scotland	Ordinary	100%	6
Granton Assets Ltd	Property Rental and Investments in farming	Scotland	Ordinary	80%	1
Eldon Hallen Stock Ltd	Animal Cremation	Scotland	Ordinary	100%	8

Notes to the financial statements (continued)

14 Investments (continued)

(d) Details of Subsidiary Undertakings (continued)

Subsidiary Undertakings	Principal Activity	Country of Incorporation or Registration	Class of Shares held	Proportion	Notes
Buccleuch Heritage Brands Ltd	Meat and Food wholesalers	Scotland	Ordinary	100%	1
Buccleuch Scotch Beef Limited	Dormant	Scotland	Ordinary	100%	1
The Boughton Estates I td	Estate Ownership	England	Ordinary	100%	1
Buccleuch Property Developments I td	Property Consultancy	Scotland	Ordinary	100%	1
Buccleuch Sportings Ltd	Rural Sporting	Scotland	Ordinary	100%	1
The Esk & Liddle Fishery Company Ltd	Rent of Fishings	Scotland	Ordinary	100%	1
Buccleuch Building Services Ltd	Property Maintenance	Scotland	Ordinary	100%	1
BQVT Ltd t/a Valley Transport	Livestock Haulage	Scotland	Ordinary	100%	8
Buccleuch Recreational Enterprises Ltd	Visitor Services	England	Ordinary	100%	1
BQ Energy (No 2) Ltd	Investment	Scotland	Ordinary	100%	1
Buccleuch Woodlands Enterprises Ltd	Holding Company	Scotland	Ordinary	100%	1, 14
Buccleuch Natural Fuels Ltd	Biomass	Scotland	Ordinary	100%	7
Buccleuch Woodlands I td	Woodlands Ownership & Management	Scotland	Ordinary	100%	7
Buccleuch Ventures Ltd	Holding Company	Scotland	Ordinary	100%	1
Buccleuch BioEnergy Ltd	Bioenergy Consultancy	Scotland	Ordinary	100%	8
FBR Ltd	Professional Land & Farm Management Services	Scotland	Ordinary	75%	12
John Sale Ltd	Chartered Surveyors & Estate Agents	Scotland	Ordinary	75%	12
Buccleuch Country Ltd	Holding Company	England	Ordinary	84 35%	11
A J Borthwick Ltd	Veterinary Pharmacy & Agricultural Merchants	Scotland	Ordinary	84 35%	11
A C Burn Ltd	Veterinary Pharmacy & Agricultural Merchants	Scotland	Ordinary	84 35%	11
Game and Country Enterprises Ltd	Game & Country Pursuits Equipment Supplier	Scotland	Ordinary	84 35%	11
Tarras Investments Ltd	Investment	Guernsey	Ordinary & Redeemable Preference	100%	1
Scotaus (Holdings) Proprietary I td	Investment	Australia	Ordinary	100%	9
Cleuchhead Proprietary I td	Investment	Australia	Ordinary	100%	10
Sprague Brook Forest Inc	Forestry Investment	USA	Ordinary	100%	1
Buccleuch Town & Country I td	Chartered Surveyors & Estate Agents	Scotland	Ordinary	100%	8
Alba Trees plc	Production of cell grown plants	Scotland	Ordinary	60 28%	13
Scotmin Nutrition Ltd	Animal Feed Supplements Manufacturer	Scotland	Ordinary	84 35%	11
Tahsker Bay International I td	Equestrian & Pet Products Supplier	Scotland	Ordinary	84 35%	11

Notes to the financial statements (continued)

14 Investments (continued)

(d) Details of Subsidiary Undertakings (continued)

- 1 Held directly by The Buccleuch Estates Ltd
- 2 Tarras Park Properties Ltd is held by Buccleuch Properties Ltd. It has a 50% equity interest in each of the following UK Joint Ventures, the results of which are shown in note 15

Ashby Park Investments Ltd	Willmoreton Properties Ltd
Ledge 853 Ltd	York Investors LLP
Buccleuch Grant Ltd	Native Land Limited
The Ely Cloisters Estate Limited	Buccmartin Properties Limited
Buccleuch Property (Germany) Ltd	Alledge Brook LLP
Queensberry Properties Ltd	Queensberry Properties (Dinmont Drive) Ltd
Queensberry Properties (Grange Loan) Ltd	

Tarras Park Properties Ltd also has a 50% interest in the following overseas Joint Ventures

Materiolux SA	Freelux SA
Alonely SA	Tarras Park (Ireland) 1 Limited
Buccleuch Germany GmbH	Buccleuch Germany GmbH and Co. Buccleuch 1KG
Buccleuch Germany GmbH and Co.	Frankfurt Oder GmbH
Buccleuch zwei KG	

Tarras Park Properties Ltd has an interest in the following UK Associates

Clan Montrose LLP, held 50.1%
 Clan Bankside LLP, held 33.3%
 Clan Halkin Limited, held 28.9%
 Clan Botolph LLP, held 56.2%

- 3 These companies are subsidiary undertakings of Tarras Park Properties Ltd
- 4 Cheviot Investments Ltd is held 75% by Buccleuch Properties Ltd
- 5 Held 100% by Buccleuch Properties Ltd
- 6 Held 100% by BQ Farms Ltd
- 7 Held 100% by Buccleuch Woodlands Enterprises Ltd
- 8 Held 100% by Buccleuch Ventures Ltd
- 9 This company has 50% equity interests in the following Australian Joint Venture

Fieldglen II Pty Ltd	property development, management and investment
AIA Berwicks (Partnership)	farming
- 10 Cleuchhead Proprietary Ltd is held 100% by Scotaus (Holdings) Proprietary Ltd
- 11 Held 100% by Buccleuch Country Ltd which in turn is held 84.35% by Buccleuch Ventures Ltd
- 12 Held 75% by Buccleuch Ventures Ltd
- 13 Held 60.28% by Buccleuch Ventures Ltd
- 14 Buccleuch Woodlands Enterprises Limited holds a 42% interest in Carronbridge Sawmills Limited, a UK associate

Notes to the financial statements (continued)

15 Joint ventures, associates and goodwill

	Associates £000	Joint ventures £000
Cost or valuation		
At 1 November 2006	5,630	19,290
Additions	1,263	8,097
Redemptions/repayments	(3,649)	(4,675)
Share of results for the year	7,257	3,234
Dividends paid in the year	(6,892)	(5,371)
Exchange rate movement		653
Share of revaluation surplus during the year		11,418
At 31 October 2007	<u>3,609</u>	<u>32,646</u>
Loans		
At 1 November 2006		7,202
Advanced in the year		2,290
Repaid in the year		(6,702)
At 31 October 2007		<u>2,790</u>
Group's share of:		
Turnover	<u>1,160</u>	<u>8,278</u>
Fixed assets	257	62,421
Current assets	12,098	5,877
Liabilities due within one year	(1,232)	(10,858)
Liabilities due after more than one year	(7,514)	(24,794)
Share of net assets	<u>3,609</u>	<u>32,646</u>

Notes to the financial statements (continued)

15 Joint ventures, associates and goodwill (continued)

	Goodwill £000
Cost or valuation	
At 1 November 2006 and at 31 October 2007	28
Amortisation	
At 1 November 2006	(17)
Credit for the year	(2)
At 31 October 2007	(19)
Net book value	
At 31 October 2007	9
At 31 October 2006	11

16 Stocks

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Estate	573	615	288	388
Farming	2,748	2,686	—	—
Wholesalers	3,376	1,892	—	—
Work in progress	22,505	2,495	992	14
Raw materials	1,306	1,918	—	—
	30,508	9,606	1,280	402

Notes to the financial statements (continued)

17 Debtors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Trade debtors	8,206	6,178	689	912
Amounts owed by related parties	1,369	1,073	—	—
Amounts owed by group undertakings	—	—	2,370	1,785
Other debtors	3,774	13,989	491	30
Prepayments and accrued income	699	979	415	885
Corporation tax recoverable	12	55	—	—
	14,060	22,274	3,965	3,612

18 Debtors: amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Other debtors	159	349	—	—

The other debtors due after more than one year of £159,136 are made up of costs in relation to developments for sale. In the prior year the other debtors due after more than one year included £349,463 relating to project finance provided to a joint venture partner.

19 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank loans and overdrafts	23,551	22,104	5,072	7,587
Obligations under finance leases and hire purchase agreements	694	750	29	30
Trade creditors	5,155	4,705	316	322
Amounts owed to group undertakings	—	—	1,762	2,587
Corporation tax	70	95	—	—
Other taxes and social security costs	334	309	209	57
Other creditors	1,841	1,370	153	3
Accruals and deferred income	5,634	4,349	562	784
Minority interest dividend liability	84	—	—	—
Proposed dividend	400	500	400	500
	37,763	34,182	8,503	11,870

Notes to the financial statements (continued)

20 Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Bank loans and overdrafts	122,564	114,149	23,105	20,883
Obligations under finance leases and hire purchase agreements	901	1,160	14	21
Deferred income	87	91	87	91
Other creditors	250	33	—	—
Loans from group undertakings	—	—	1,812	15,554
Shares classed as financial liabilities	519	100	100	100
	124,321	115,533	25,118	36,649

There are no fixed terms of repayment of group borrowings and interest has been charged at a commercial rate

Security for the bank and overdraft facilities extended to the group comprises fixed securities on certain properties and bonds and floating charges on the assets of certain of the group's subsidiary undertakings, together with cross guarantees given by certain of those companies. In addition, the holding company has granted a pledge over its investment portfolio of marketable securities in favour of the bank as additional security for its loans

All bank loans and overdrafts bear interest at commercial rates, fixed where appropriate and hedging arrangements are in place for a proportion of the borrowing

Maturity of bank loans and overdrafts

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts repayable in one to two years	407	419	—	—
Amounts repayable in two to five years	104,021	85,940	12,145	117
Amounts repayable in five years or more	18,136	27,790	10,960	20,766
	122,564	114,149	23,105	20,883

Notes to the financial statements (continued)

20 Creditors: amounts falling due after more than one year (continued)

Maturity of finance leases and hire purchase agreements

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts repayable in two to five years	901	1,160	14	21
	901	1,160	14	21

21 Provision for liabilities

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Deferred tax	344	917	—	—
Pension liability	3,042	4,936	—	—
Other provisions	19	322	—	—
	3,405	6,175	—	—

The movement in the deferred taxation provision during the year was

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Provision brought forward	917	1,425	—	152
Credit for the year	(573)	(508)	—	(152)
Provision carried forward	344	917	—	—

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of

	2007		2006	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Excess of taxation allowances over depreciation on fixed assets	344	2,401	917	4,114

Notes to the financial statements (continued)

22 Derivatives

The following table sets out the fair value for those derivatives that have not been included in the financial statements at fair value

Derivative financial instruments held to manage interest rates.

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Fair value of interest rate swaps	49	207	117	

The group's interest rate swaps have been taken out to hedge interest rate risk on bank loans

23 Share capital

	2007		2006	
	No of shares	£000	No of shares	£000
Authorised				
Equity				
Ordinary shares of £1 each	400,000	400	400,000	400
Non equity				
7% 1st preference non cumulative shares of £1 each	50,000	50	50,000	50
7% 2nd preference non cumulative shares of £1 each	50,000	50	50,000	50
	500,000	500	500,000	500
Allotted, called up and fully paid				
Equity				
Ordinary shares of £1 each	320,000	320	320,000	320
Non equity				
7% 1st preference non cumulative shares of £1 each	50,000	50	50,000	50
7% 2nd preference non cumulative shares of £1 each	50,000	50	50,000	50
Less shares classed as financial liabilities	(100,000)	(100)	(100,000)	(100)
	320,000	320	320,000	320

Preference shareholders have one voting right per share held Ordinary shareholders have one voting right per five shares held Holders of the preference shares have the right to repayment of capital on a winding up, in priority to ordinary shareholders

Notes to the financial statements (continued)

24 Special reserves

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Balance at 1 November 2006 and 31 October 2007	<u>6,176</u>	<u>6,176</u>	<u>5,544</u>	<u>5,544</u>

25 Surplus on revaluation of commercial investment properties

	Group	
	2007	2006
	£000	£000
The revaluation surplus is made up as follows		
Surplus on revaluation of properties within subsidiary undertakings	(1,422)	6,528
Surplus on revaluation of properties within joint ventures	11,418	2,014
Minority interests' share of net revaluation surplus	471	(875)
	<u>10,467</u>	<u>7,667</u>

26 Revaluation reserve

	Group	
	2007	2006
	£000	£000
Balance at 1 November 2006	21,090	16,518
Realised revaluation surpluses transferred to the profit and loss account	(2,181)	(3,095)
Realised to the profit and loss account on impairment	212	
Revaluation surplus	10,467	7,667
Balance at 31 October 2007	<u>29,588</u>	<u>21,090</u>

The balance on the revaluation reserve represents the group's share of the net revaluation surpluses within the Buccleuch Properties Limited sub group after allowing for minority interests

27 Capital redemption reserve

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Balance at 1 November 2006 and 31 October 2007	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>

Notes to the financial statements (continued)

28 Profit and loss account

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Balance at 1 November 2006	43,224	47,662	31,980	33,480
Prior year adjustment (see note 33)	—	(5,555)	—	500
Balance at 1 November 2006	43,224	42,107	31,980	33,980
Profit/(loss) for the financial year	4,574	(1,976)	4,579	(1,014)
Dividends paid	—	(986)	—	(986)
Exchange difference on retranslation of net assets of subsidiary undertakings	582	(295)	—	—
Realised revaluation surplus transferred from revaluation reserve	2,181	3,095	—	—
Actuarial gain on pension scheme	2,266	1,677	—	—
Movement on deferred taxation relating to pension liability	(812)	(479)	—	—
Adjustment in respect of prior year	(455)	81	—	—
Balance at 31 October 2007	51,560	43,224	36,559	31,980

Incorporated within the profit and loss reserves of the group is an amount of £430,941 which represents undistributable reserves within the joint venture companies in which they arise. These undistributable reserves are a result of the purchase of ordinary shares by a payment out of capital.

29 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Shareholders funds 1 November 2006	70,890	70,856	37,924	39,524
Prior year adjustment (see note 33)	—	(5,655)	—	400
Shareholders funds at 1 November 2006	70,890	65,201	37,924	39,924
Profit/(loss) for the year	4,574	(1,976)	4,579	(1,014)
Dividends paid	—	(986)	—	(986)
Exchange difference on retranslation of net assets of subsidiary undertakings	582	(295)	—	—
Actuarial gain on pension scheme	2,266	1,677	—	—
Movement on deferred taxation relating to pension scheme liability	(812)	(479)	—	—
Net surpluses on revaluation of certain property	10,467	7,667	—	—
Revaluation released on impairment	212	—	—	—
Adjustment in respect of prior year	(455)	81	—	—
Balance at 31 October 2007	87,724	70,890	42,503	37,924

Notes to the financial statements (continued)

30 Related party transactions

The following transactions with related parties were conducted under normal trading terms at arm's length

(a) Directors and their connected parties

During the year, group companies entered into a number of transactions with Trustatree Limited, a company registered in Scotland, the shareholders of which are The Executors of The 9th Duke of Buccleuch and 11th Duke of Queensberry KT

	2007 £000	2006 £000
Property disposals/(additions)	130	(152)
Recharges of property costs	109	
	<u>239</u>	<u>(152)</u>

The group managed woodlands on behalf of His Grace, The 9th Duke of Buccleuch and 11th Duke of Queensberry KT and received a management fee of £5,000 (2006 £5,000) for providing this service

A subsidiary also acted as agent in the sale of timber and collection of grants on behalf of His Grace, The 9th Duke of Buccleuch and 11th Duke of Queensberry KT and The Executors of The 9th Duke of Buccleuch and 11th Duke of Queensberry KT

Creditor balances of £57,403 (2006 £89,961) and debtor balances of £38,984 (2006 – £nil) including VAT where appropriate, were outstanding at the year end

Other transactions with His Grace, The 9th Duke of Buccleuch and 11th Duke of Queensberry KT and The Executors of The 9th Duke of Buccleuch and 11th Duke of Queensberry KT included

	2007 £000	2006 £000
Rental and other income	8	6
Wage costs and other recharges (including repairs)	<u>1</u>	<u>2</u>

During the year various group companies entered into transactions with The Tibbers Trust, of which The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL is a trustee. The group was charged rental by The Tibbers Trust of £3,702 (2006 £nil) and recharged costs of £11,662 (2006 £nil) to the trust

Notes to the financial statements (continued)

30 Related party transactions (continued)

During the year various companies within the Group traded with Broughton Grange Farms, a partnership with BQ Farms Limited and The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL as two of the partners. The following transactions took place during the year:

	2007 £000	2006 £000
Sales to Broughton Grange Farms	12	84
Purchases from Broughton Grange Farms	3	45

No debtor or creditor balances were outstanding at the year end.

Other transactions between The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL and group companies included labour and other recharges of £503 (2006 £55,166) and rental income of £2,073 (2006 £588).

Recharges made by a group company to Lord Damian Scott relate to repairs and amounted to £nil (2006 £2,856).

Various recharges of costs were made to M D Clarke by group undertakings and these amounted to £327 (2006 £1,851) and rental income of £1,480 (2006 £4,430). A debtor balance of £nil (2006 £455) including VAT was outstanding at the year end.

During the year the group sold a property to Lady Louisa Jane Montagu Douglas Scott, daughter of The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL at market value. The proceeds of this transaction were £650,000.

31 Cash flow statement

(a) Reconciliation of group operating loss to net cash outflow from operating activities

	2007 £000	2006 £000
Group operating loss	(6,912)	(8,696)
Depreciation charge	2,886	2,283
Increase in stock	(12,826)	(2,234)
Decrease/(increase) in debtors	8,404	(11,373)
Increase in creditors	2,470	2,832
	<u>(5,978)</u>	<u>(17,188)</u>

Notes to the financial statements (continued)

31 Cash flow statement (continued)

(b) Returns on investments and servicing of finance

	2007	2006
	£000	£000
Investment income received	15,197	4,215
Interest received	1,798	56
Interest element of finance lease rental payments	(146)	(76)
Interest paid	(8,831)	(6,638)
Dividends paid to minority interests	(606)	(137)
Net cash inflow/(outflow) from returns on investments and servicing of financing	7,412	(2,580)

(c) Taxation

	2007	2006
	£000	£000
UK tax received/(paid)	239	(747)

(d) Capital expenditure and financial investment

	2007	2006
	£000	£000
Purchase of intangible fixed assets	(1,197)	(984)
Purchase of commercial properties and other tangible fixed assets	(23,202)	(27,458)
Sales of investment property and other tangible fixed assets	14,427	28,285
Purchase of investments	(2,922)	(1,960)
Sale of investments	4,598	3,259
Loan of investments repaid	11,535	831
New loan investments	(2,290)	(1,842)
Payment out of capital regarding share purchase	3,500	
Net cash inflow from capital expenditure and financial investment	4,449	131

(e) Acquisitions

	2007	2006
	£000	£000
Purchase of subsidiary undertakings	(6)	(6,897)
Net cash acquired with subsidiary undertakings		596
Purchase of interests in joint venture	(8,097)	(2,326)
Purchase of interests in associate	(1,263)	(2,370)
Net cash outflow for acquisitions	(9,366)	(10,997)

Notes to the financial statements (continued)

31 Cash flow statement (continued)

(f) Equity dividends paid

	2007 £000	2006 £000
Equity dividends paid to members of holding company	(100)	(500)
Net cash outflow for equity dividends paid	(100)	(500)

(g) Management of liquid resources

	2007 £000	2006 £000
Movement in short term deposits with banks	513	(318)

(h) Financing

	2007 £000	2006 £000
New bank term loans	44,798	39,218
Repayment of bank term loans	(36,301)	(10,733)
Redeemable preference shares issued	419	
Capital element of finance lease rental payments	(887)	(961)
Net cash inflow for financing	8,029	27,524

(i) Analysis of changes in net debt

	At 1 November 2006 £000	Cash flows £000	Other non cash changes £000	At 31 October 2007 £000
Cash at bank and in hand	11,413	6,573		17,986
Current asset investment	2,856	(513)		2,343
Bank overdrafts	(21,788)	(1,375)		(23,163)
Debt due within one year	(1,066)	1,066	(1,082)	(1,082)
Debt due after one year	(115,308)	(9,095)	519	(123,884)
Total	(123,893)	(3,344)	(563)	(127,800)

Notes to the financial statements (continued)

31 Cash flow statement (continued)

(j) Reconciliation of net cash outflow to movement in net debt

	2007 £000	2006 £000
Increase/(decrease) in cash for the year	5,198	(4,675)
Cash inflow from increase in net debt and finance leasing	(8,029)	(27,524)
Cash (inflow)/outflow from liquid resource	(513)	318
Movement in net debt	(3,344)	(31,881)
New finance leases	(572)	(729)
Translation differences	9	85
Finance leases and loans acquired	-	(117)
	(3,907)	(32,642)
Net debt at 1 November 2006	(123,893)	(91,251)
Net debt at 31 October 2007	(127,800)	(123,893)

32 Pension scheme

The majority of the employees of the group companies are members of the group pension scheme which provides benefits payable to members on their retirement from employment or to their dependants on death before or after retirement. The final salary scheme was closed to new members with effect from 4 May 2000. However, a stakeholder compliant group pension scheme providing benefits based on defined contributions has been made available to both new members and members of the final salary scheme.

The assets of the scheme are held separately from those of the group.

The pension cost for the group scheme for the year was £1,672,506 (2006 £1,170,703) based on the following contribution rates as recommended by the actuary:

	Company	Employee
From 1 November 2006 to 31 October 2007		
Members (other than senior staff)	33.3%	4.50%
Senior staff	32.8%	5.00%

The most recent actuarial valuation of the defined benefit scheme was carried out as at 1 May 2006 and this has been updated to 31 October 2007 by a qualified independent actuary for the purposes of the requirements of Financial Reporting Standard No 17 'Retirement Benefits' (FRS 17). The valuation at 1 May 2006, using projected unit credit funding method, and using a market value of £15,032,000 indicated that the scheme was funded to a level of 72% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Notes to the financial statements (continued)

32 Pension scheme (continued)

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of the increases in salaries and pensions. It was assumed that the long term average investment returns would be 6.5% per annum pre retirement, that pensionable salaries would increase at an average rate of 3% per annum and that pensions in payment and deferment would increase at 5% per annum for benefits accruing prior to 1 September 2000 but that limited price indexation would apply to benefits accruing after that date.

The total contribution rate from 1 November 2007 is 14.8% on pensionable salaries with senior staff contributing 5% of pensionable salaries and other employees contributing 4.5% together with a fixed monthly amount of £50,667 to fund the deficit. This all equates to the previous contribution rate of 37.8% effective from 1 November 2006 with senior staff contributing 5% and others contributing 4.5%. In addition the group undertakings pay the expenses associated with the Scheme and the premiums on the insurance policies covering death in service benefits.

The main assumptions used to produce a current value of the defined benefit scheme liabilities at 31 October 2007 for the purposes of FRS 17 were:

- An inflation rate of 3.25% pa (2006: 3.25%)
- A rate of salary increase of 3.25% pa (2006: 3.25%)
- Limited price indexation pension increases of 3.25% pa (2006: 3.25%)
- The rate used to discount scheme liabilities was 5.7% pa (2006: 5%)

The defined benefit scheme is now closed to new members and therefore the age profile of active members is rising so that under the projected unit method the current service cost will increase as the members approach retirement.

The assets of the scheme are held in managed funds operated by Resolution Asset Management under a regulated policy issued by Phoenix Life which is a wholly owned subsidiary of Resolution plc, and by Newton Investment Management.

The fair value of the assets of the defined benefit scheme and the rate of return expected from each class of asset for the three years ended 31 October 2007 are as follows:

	2007		2006		2005	
	Value	Expected rate of return	Value	Expected rate of return	Value	Expected rate of return
	£000	%	£	%	£	%
Equities and property	14,479	7.80	12,538	7.40	10,746	6.80
Bonds	898	5.00	1,112	4.25	519	4.50
Cash	2,239	5.00	1,673	4.00	1,397	3.80
Total	17,616		15,323		12,662	

Notes to the financial statements (continued)

32 Pension scheme (continued)

The funding position as at 31 October 2007 was as follows

	2007 £000	2006 £000	2005 £000
Total market value of assets	17,616	15,323	12,662
Present value of scheme liabilities	(21,962)	(22,375)	(21,312)
Deficit in the scheme	(4,346)	(7,052)	(8,650)
Related deferred tax asset	1,304	2,116	2,595
Net pension liabilities	(3,042)	(4,936)	(6,055)
Analysis of the amount charged to operating loss			
Current service cost	663	373	394
Analysis of the amount (charged)/credited to other finance income			
Expected return on pension scheme assets	1,066	818	717
Interest on pension scheme liabilities	(1,121)	(1,070)	(912)
Finance charge	(55)	(252)	(195)

Notes to the financial statements (continued)

32 Pension scheme (continued)

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2007 £000	2006 £000	2005 £000	
Actual return less expected return on pension scheme assets	626	1,481	674	
Experience gains and losses arising on scheme liabilities	(211)	(55)	(59)	
Changes in assumptions underlying present value of scheme liabilities	1,851	251	(3,816)	
Actuarial gain/(loss) recognised STRGL	2,266	1,677	(3,201)	
Movement in deficit during the year				
Deficit in scheme at beginning of the year	(7,052)	(8,650)	(6,078)	
Current service cost	(663)	(373)	(394)	
Contributions	1,158	546	1,218	
	(6,557)	(8,477)	(5,254)	
Other finance income	(55)	(252)	(195)	
Actuarial gain	2,266	1,677	(3,201)	
Deficit in the scheme at the end of year	(4,346)	(7,052)	(8,650)	
	2007 £000	2006 £000	2005 £000	2004 £000
History of experience gains and losses				
Difference between expected and actual return on scheme assets	626	1,481	674	202
Percentage of scheme assets	3.6%	9.7%	5.3%	2.2%
Experience gains and losses on scheme liabilities	(211)	(55)	(59)	(223)
Percentage of present value of scheme liabilities	1.0%	0.2%	0.3%	(1.4%)
Total amount recognisable in STRGL	2,266	1,677	(3,201)	(363)
Percentage of present value of scheme liabilities	10.3%	7.5%	15.0%	(2.2%)

Notes to the financial statements (continued)

33 Prior year adjustment

Retirement benefits

In the prior year the company adopted FRS 17 Retirement Benefits resulting in a prior year adjustment of £6,055,000. Details of this adjustment are provided in note 32.

Events after the balance sheet date

Dividends totalling £500,000 originally proposed as at 31 October 2005 were formally approved in November 2005 and are now accounted for in the year to 31 October 2006.

Financial instruments

In the prior year as a result of the adoption of FRS 25 the 7% preference shares were reclassified as a liability, resulting in an increase in liabilities of £100,000 and a corresponding decrease in net assets and shareholders' funds.

34 Ultimate parent company

The directors are of the opinion that there is no ultimate controlling party.

35 Contingent liabilities

There is a liability to compensate tenants for improvements on the expiration of some leases. The amount cannot be quantified in advance.

There are contingent liabilities in relation to indemnities provided for performance bonds and guarantees of performance obligations. These relate to contracting or development agreements entered into in the ordinary course of business by certain of the group's subsidiary, joint venture and associate undertakings.

In addition cost overrun and interest shortfall guarantees have been given by a subsidiary undertaking in relation to bank finance provided to joint ventures or associate undertakings. These bank facilities have limited recourse to the group and only crystallize in the event of the underlying entity defaulting in its obligations.

36 Post balance sheet events

On 1 August 2008 the Valley Transport trade and certain assets were sold as a going concern.

On 28 May 2008 the group subscribed for 50% of the initial share capital of Caledon Buccleuch BioEnergy Limited, a new joint venture whose principal activity is the provision of BioEnergy consultancy, the supply and installation of woodchip boilers, and ongoing energy supply.