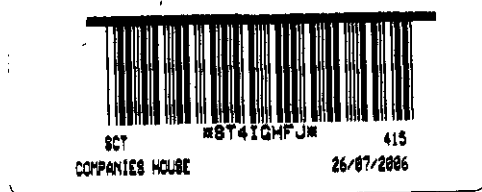


**BUCCLEUCH HERITAGE HARDWOODS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 OCTOBER 2005**



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**BUCCLEUCH HERITAGE HARDWOODS LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 OCTOBER 2005**

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# **BUCCLEUCH HERITAGE HARDWOODS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **The Board of Directors**

D C Gwyther  
J C Lamont

### **Company Secretary**

M J McGrath

### **Registered Office**

Head Office  
Weatherhouse  
Bowhill  
Selkirk  
TD7 5ES

### **Auditors**

Chiene + Tait  
Chartered Accountants and Registered Auditors  
61 Dublin Street  
Edinburgh  
EH3 6NL

# **BUCCLEUCH HERITAGE HARDWOODS LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 31 OCTOBER 2005**

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The directors present their report and the financial statements of the company for the year ended 31 October 2005.

### **Principal activities and business review**

During the year the company commissioned various research into products and markets further to the company's principal activities of sawmilling, manufacturing and trading of timber and timber products. That ongoing research has been considered by the directors and subsequent to the year end the directors have decided that circumstances do not allow them to continue the project at the present time. Variations on the original concept are being considered.

The loss for the year after taxation was £56,014 (2004: £43,931). The directors do not recommend the payment of a dividend.

### **Directors and their interests**

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

D C Gwyther

J C Lamont

The company is a wholly owned subsidiary and none of the current directors has any interest in the shares of the parent company.

### **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 at the end of the year and of the profit or loss for the year then ended.

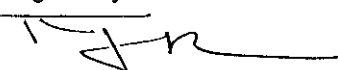
In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

### **Auditors**

A resolution to re-appoint Chiene + Tait, as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



M J McGrath  
Company Secretary

28<sup>th</sup> June 2006

**BUCCLEUCH HERITAGE HARDWOODS LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**

**YEAR ENDED 31 OCTOBER 2005**



We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards, (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

**CHIENE + TAIT**

**Chartered Accountants and Registered Auditors**

**61 Dublin Street  
Edinburgh EH3 6NL**

28<sup>th</sup> June 2006

**BUCCLEUCH HERITAGE HARDWOODS LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 OCTOBER 2005**

|  | Note | 2005<br>£ | 2004<br>£ |
|--|------|-----------|-----------|
| Turnover   |      | -         | -         |
| Cost of sales                                      |      | -         | -         |
|  |      | <hr/>     | <hr/>     |
| Gross profit                                       |      | -         | -         |
| Administrative expenses                            |      | (56,014)  | (62,758)  |
|  |      | <hr/>     | <hr/>     |
| <b>Operating loss</b>                              |      | (56,014)  | (62,758)  |
| Interest receivable and similar income             |      | -         | -         |
| Interest payable and similar charges               |      | -         | -         |
|  |      | <hr/>     | <hr/>     |
| <b>Loss on ordinary activities before taxation</b> |      | (56,014)  | (62,758)  |
| Tax on loss on ordinary activities                 | 3    | -         | 18,827    |
|  |      | <hr/>     | <hr/>     |
| <b>Loss for the financial year</b>                 | 7    | (56,014)  | (43,931)  |
|  |      | <hr/>     | <hr/>     |

The company's turnover and expenses all relate to continuing activities.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 10 form part of these financial statements

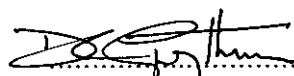
**BUCCLEUCH HERITAGE HARDWOODS LIMITED**


**BALANCE SHEET**

**31 OCTOBER 2005**

|   | Note | £ | 2005<br>£     | 2004<br>£       |
|---|------|---|---------------|-----------------|
| <b>Current assets</b>                                 |      |   |               |                 |
| Debtors   | 4    |   | -             | 18,829          |
| Cash at bank  |      |   | 23,793        | -               |
|   |      |   | <u>23,793</u> | <u>18,829</u>   |
| <b>Creditors: amounts falling due within one year</b> | 5    |   | 23,738        | 62,758          |
| <b>Net current assets/(liabilities)</b>               |      |   | <u>55</u>     | <u>(43,929)</u> |
| <b>Capital and reserves</b>                           |      |   |               |                 |
| Called-up equity share capital                        | 6    |   | 100,000       | 2               |
| Profit and loss account                               | 7    |   | (99,945)      | (43,931)        |
| <b>Shareholders' funds/(deficit)</b>                  |      |   | <u>55</u>     | <u>(43,929)</u> |

These financial statements were approved by the directors on *28<sup>th</sup> June 2006* and are signed on their behalf by:

  
.....Director  
D C Gwyther

  
.....Director  
J C Lamont

The notes on pages 7 to 10 form part of these financial statements

**BUCCLEUCH HERITAGE HARDWOODS LIMITED****CASH FLOW STATEMENT****YEAR ENDED 31 OCTOBER 2005**

|   | <b>Note</b> | <b>2005</b><br>£ | <b>2004</b><br>£ |
|---|-------------|------------------|------------------|
| <b>Net cash outflow from operating activities</b> | <b>8(a)</b> | <u>(95,034)</u>  | <u>-</u>         |
| <b>Taxation</b>                                   |             |                  |                  |
| UK tax received – group relief                    |             | <u>18,827</u>    | <u>-</u>         |
| <b>Net cash outflow before financing</b>          |             | <u>(76,207)</u>  | <u>-</u>         |
| <b>Financing</b>                                  |             |                  |                  |
| Share capital issued                              |             | <u>100,000</u>   | <u>-</u>         |
| <b>Net cash flow from financing</b>               |             | <u>100,000</u>   | <u>-</u>         |
| <b>Increase in cash</b>                           | <b>8(c)</b> | <u>23,793</u>    | <u>-</u>         |

The notes on pages 7 to 10 form part of these financial statements



# BUCCLEUCH HERITAGE HARDWOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

### 1. Accounting policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention.

### 2. Directors' emoluments

The directors and secretary received no remuneration from the company in the year. The directors are employees of the holding company, The Buccleuch Estates Limited, and are also directors of other group subsidiaries. Emoluments are paid by The Buccleuch Estates Limited and it is not practicable to allocate emoluments between their services as executives of The Buccleuch Estates Limited and their services as directors of Buccleuch Heritage Hardwoods Limited and other subsidiaries.

Each of the directors is accruing benefits under defined contribution pension arrangements in respect of their services to the group companies.

### 3. Taxation on ordinary activities

#### (a) Analysis of tax in period

Current tax:

UK corporation tax based on the results for the period

Group relief payment

Total current tax

|   |          |
|---|----------|
| - | -        |
| - | (18,827) |
| - | (18,827) |

#### (b) Factors affecting tax for period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30 per cent). The difference is explained below:

|   | 2005<br>£ | 2004<br>£ |
|---|-----------|-----------|
| Loss on ordinary activities before tax  | (56,014)  | (62,758)  |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% | (16,804)  | (18,827)  |
| Effects of:   |           |           |
| Tax losses surrendered  | 16,804    | -         |
| Tax charge/(credit)   | -         | (18,827)  |

**BUCCLEUCH HERITAGE HARDWOODS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****YEAR ENDED 31 OCTOBER 2005****4. Debtors**

|                                   | 2005<br>£ | 2004<br>£     |
|-----------------------------------|-----------|---------------|
| Amount due from group undertaking | -         | 18,827        |
| Called up share capital not paid  | -         | 2             |
|                                   | <u>-</u>  | <u>18,829</u> |

**5. Creditors: amounts falling due within one year**

|                                   | 2005<br>£     | 2004<br>£     |
|-----------------------------------|---------------|---------------|
| Amounts due to group undertakings | <u>23,738</u> | <u>62,758</u> |

**6. Share capital**

| Authorised share capital:          | 2005<br>£      | 2004<br>£    |
|------------------------------------|----------------|--------------|
| 100,000 Ordinary shares of £1 each | <u>100,000</u> | <u>1,000</u> |

**Allotted, called up and fully paid:**

|                            | 2005<br>No     | £              | 2004<br>No | £        |
|----------------------------|----------------|----------------|------------|----------|
| Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> | <u>2</u>   | <u>2</u> |

On 31 October 2005 an additional 99,998 ordinary £1 shares were issued, increasing the issued share capital of the company to 100,000 ordinary £1 shares.

**7. Profit and loss account**

|   | 2005<br>£       | 2004<br>£       |
|---|-----------------|-----------------|
| Balance brought forward                 | (43,931)        | -               |
| Accumulated loss for the financial year | <u>(56,014)</u> | <u>(43,931)</u> |
| Balance carried forward                 | <u>(99,945)</u> | <u>(43,931)</u> |

# BUCCLEUCH HERITAGE HARDWOODS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 OCTOBER 2005

### 8. Cash flow statement

|   | 2005<br>£ | 2004<br>£ |
|---|-----------|-----------|
| a) Reconciliation of operating loss to net cash outflow from operating activities |           |           |
| Operating loss  | (56,014)  | (62,758)  |
| (Decrease)/increase in creditors  | (39,020)  | 62,758    |
| Net cash outflow from operating activities  | (95,034)  | -         |

|                                 | At 31<br>October<br>2004<br>£ | Cash Flows<br>£ | Other<br>Non-cash<br>Changes<br>£ | At 31<br>October<br>2005<br>£ |
|---------------------------------|-------------------------------|-----------------|-----------------------------------|-------------------------------|
| b) Analysis of changes in funds |                               |                 |                                   |                               |
| Cash at bank                    | -                             | 23,793          | -                                 | 23,793                        |

|  |           |           |
|--|-----------|-----------|
| c) Reconciliation of net cash outflow to movement in funds | 2005<br>£ | 2004<br>£ |
| Increase in cash in the year                               | 23,793    | -         |
| Movement in funds in the year                              | 23,793    | -         |
| Funds at 1 November 2004                                   | -         | -         |
| Funds at 31 October 2005                                   | 23,793    | -         |

### 9. Going concern

The future operation of the company is dependent on the continuing support of the parent undertaking which has made loan advances to the company. The directors have received assurances from the parent undertaking that its support will not be withdrawn in the short term and will continue for at least 12 months from the date of approval of these accounts and therefore these financial statements have been prepared on a going concern basis.

### 10. Ultimate parent undertaking and related party transactions

The company's parent undertaking is Buccleuch Woodland Enterprises Limited and the ultimate controlling entity is The Buccleuch Estates Limited, both companies are registered in Scotland.

Related party transactions with other group undertakings are excluded from the consolidated financial statements of The Buccleuch Estates Limited and are therefore exempt from disclosure in these financial statements.

**BUCCLEUCH HERITAGE HARDWOODS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31 OCTOBER 2005**

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**11. Subsequent events**

Subsequent to the year end the directors have decided that the sawmill project in its current form should not continue at this time. Variations on the original concept are being considered.