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Financial Statements

The Buccleuch Estates Limited

For the year ended 31 October 2020



COMPANIES HOUSE

15 JUL 2021

EDINBURGH MAILBOX

Registered number: SC012615

Company Information

Directors	The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL The Duchess of Buccleuch and Queensberry The Earl of Dalkeith Bernard Higgins Lord Damian Scott Lord John Scott
Company secretary	J S Alexander
Registered number	SC012615
Registered office	Buccleuch Weatherhouse Bowhill Selkirk TD7 5ES
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Glasgow G1 3BX
Bankers	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2AD HSBC Bank plc 13 Parliament Street York YO1 8RS
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY

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Strategic report

For the year ended 31 October 2020

Background and Business review

The Buccleuch Estates Limited is part of the group of companies of which The MDS Estates Limited ("Buccleuch") is the ultimate parent company. It acts as an intermediate holding company by holding the group's investment in subsidiaries, but the company also has its own trading activity which includes Estate Ownership, management of agricultural and forestry land, commercial and residential property management and farming. The performance of the wider group as well as The Buccleuch Estates as an individual entity is discussed below in order to give context to the performance of the underlying group which is not directly reflected in the company's balance sheet other than via the 'Investments' line item. The underlying performance of the company's subsidiaries is vital to assuring the success of the company on an ongoing basis.

Like many diverse enterprises, Buccleuch's business performance in the year ending 31 October 2020 should be seen in the context of the Covid-19 pandemic. While this has had an inevitable impact on some areas of Buccleuch's business operations, there were others which were able to endure the uncertainties of the situation.

Due to the nature of forestry and agriculture, colleagues within these operations were able to work safely and in line with all guidance throughout all stages of lockdown in 2020 and benefited from good prices within the timber and livestock markets, respectively. As we move through 2021, however, we anticipate the continuing pandemic and Brexit will begin to have a downward impact on these markets within the UK and we will continue to flex our operations to ensure we remain in a strong position. Throughout the period, our overall business performance showed strength and stability and our business strategy bodes well for the future.

We have reported a profit within these financial statements, once again, it must be cautioned that this figure reflects valuation adjustments on rural property assets as well as gains realised on sale of rural property assets. Within this timeframe, however, there has also been significant debt reduction, and investment in projects across the estates.

Like many businesses in the rural sector, our tourism and leisure attractions were seriously affected by the Covid-19 pandemic, and at Restoration Yard in Dalkeith Country Park, where our colleagues operate a significant retail and hospitality business, trading was either non-existent or heavily impacted by the pandemic.

Action had to be taken to protect jobs and employees' rights and a number of staff were placed on furlough leave, in keeping with the advice offered to businesses by government. At the time of writing, as restrictions ease, we are looking forward to welcoming all colleagues who have been on furlough back to full employment as we open our facilities once again.

Day-to-day, we continued to focus on four key areas: customers, community, environment, and colleagues.

Where possible, we worked with our tenants, both residential and commercial, to provide support during the pandemic: offering rental holidays or payment schemes to help them through an unknown and difficult time. Within the wider community, we have completed the second land sale to a community, in this instance to The Langholm Initiative, of part of the Langholm Moor, where our commitment to community engagement allowed initial conversations to take place. We will continue dialogue with them on a further area of land. Building on this, and in line with the Scottish Land Commission's good practice protocols, we will publish, later this year, our full Community Engagement Plan. The estates have also been accessible to the local communities throughout lockdown, as we recognise the importance of green open spaces both for physical exercise and mental health and wellbeing.

Strategic report

For the year ended 31 October 2020

Background and Business review (continued)

This year, the environment has taken a central role within many of the projects Buccleuch have undertaken, both across the business areas and individually, and in line with our environmental aspirations, Buccleuch remains committed to the renewable energy market. We will continue to talk to other developers in relation to potential projects, from solar and wind, to energy storage, across the estates.

Buccleuch is an ever-evolving business and in 2020 I wrote about the changing shape of Buccleuch, both in the activities we undertake and the land areas on which we undertake these. Over the last 100 years this has changed greatly, and we are ever cognisant of the impact our land use decisions have on our customers, communities, and the environment. To align these more firmly, toward the end of 2020 we began developing our Land Use Strategy. This will allow us to evaluate each area of the estates in terms of our key activities and commercial strategy, while also keeping our values at the fore of our thinking, ensuring our business decisions remain holistic and considered.

Together with our more traditional business areas: agriculture, forestry, and commercial property, 2021 will see an increased focus on the commercial opportunities around hospitality and leisure on the estates. Our recently launched self-catering accommodation has recognised success in booking figures and we will look to build on this and introduce new attractions to our destinations.

Lastly, none of business' various achievements would have been possible without the dedication and effort of my colleagues within Buccleuch, and I wish to take this opportunity to thank each of them for their continued commitment and support.

Key Performance Indicators

The directors monitor Key Performance Indicators on a monthly basis comparing actual figures against those budgeted. The main indicators are displayed in the table below:

	2020 £000	2019 £000
Turnover	7,084	10,176
Gross margin	1,576	4,748
Overheads	(4,407)	(4,958)
Proceeds generated from property disposals excluding development property	9,635	28,424
Debt levels	<u>(47,844)</u>	<u>(55,132)</u>

Strategic report

For the year ended 31 October 2020

Policies

GDPR

In May 2018, Buccleuch undertook extensive work to ensure all areas of the business are compliant with these rules. Our full policy will be available on the Buccleuch website.

Anti-slavery and human trafficking policy

Buccleuch are committed to ensuring, to the best of our ability, that there is no modern slavery or human trafficking in any part of our business, including supply chains or by think parties with whom we partner.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Principal business risks and uncertainties

Political risk

Brexit subsidy regimes will impact both operations and finance structures. In addition, continued debate on land reform, could result in legislation being passed which would be to the detriment of the Estates. The Company continues to monitor the political landscape and assess potential business impacts on a periodic basis.

Asset management risk

The Company has a substantial rural property portfolio including numerous listed buildings. The costs of maintaining and repairing the large number of buildings in the portfolio presents a financial risk to the Company. The Company has undertaken a review of the condition of all properties within its ownership to understand the potential costs that could become due on their maintenance and repair. These costs are incorporated into a plan of works and budgeted for accordingly. Lack of investment within this area could degrade the quality of the asset portfolio with potential impact on reduced rental income from those assets. In addition to the financial risk, the degradation of the asset portfolio poses reputational risks to the Company.

This report was approved by the board and signed on its behalf.



Bernard Higgins
Director

Date 25 June 2021

Directors' report

For the year ended 31 October 2020

The directors present their report and the financial statements for the year ended 31 October 2020.

Directors

The directors who served during the year were:

The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL
The Duchess of Buccleuch and Queensberry
The Earl of Dalkeith
Bernard Higgins
Lord Damian Scott
Lord John Scott

Principal activity

The principal activity of the Company continued to be that of Estate Ownership, management of agricultural and forestry land, commercial and residential property management and farming.

Results and dividends

The profit for the year, after taxation, amounted to £57,826,000 (2019 - £51,300,000). During the year the company paid a dividend of £nil (2019: £13,000,000).

Future Developments

The details of future developments can be found within the Strategic report.

Directors' insurance and indemnities

The Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has insurance for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Financial risk management

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The impact of this risk is considerable as the company is reliant on having sufficient liquidity to meet its commitments and liabilities as they fall due, but also to enable the company grow the business.

The company mitigates this risk by performing cash projections, quarterly reforecasts and an annual budgeting exercise which enables the company and its ultimate parent undertaking to regularly assess what funding availability exists now and in the future. The company also has strong and long standing relationships with lenders, which adds to the capital base from which the group operates, and financial covenants are regularly reviewed to ensure compliance of existing debt facilities.

The company's principal credit risk relates to the ability of tenants to meet their obligations in terms of payment of rent. The company manages this risk with in-house asset managers engaging in regular dialogue with tenants to understand their business, occupational needs and ability to meet rental obligations.

Directors' report (continued)

For the year ended 31 October 2020

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to auditor

The directors confirm that at the time when this Directors' report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as a directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Bernard Higgins
Director

Date: 25 June 2021



Independent auditor's report to the members of The Buccleuch Estates Limited

Opinion

We have audited the financial statements of The Buccleuch Estates Limited (the 'company') for the year ended 31 October 2020, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



Independent auditor's report to the members of The Buccleuch Estates Limited

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
-
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
-

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,¹ other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

¹ The term used to describe the annual report should be the same as that used by the directors.



Independent auditor's report to the members of The Buccleuch Estates Limited

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of The Buccleuch Estates Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

A handwritten signature in dark ink, appearing to read "Grant Thornton" followed by a stylized signature.

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 June 2021

Statement of comprehensive income

For the year ended 31 October 2020

		2020 £000	2019 £000
Turnover	4	7,084	10,176
Cost of sales		<u>(5,508)</u>	<u>(5,428)</u>
Gross profit		1,576	4,748
Administrative expenses		(4,407)	(4,958)
Other operating income	5	4,721	19,305
Gain on revaluations		67,697	6,555
Operating profit	6	<u>69,587</u>	<u>25,650</u>
Income from fixed asset investments	10	5,094	29,111
Interest received	11	-	-
Interest payable and similar charges	12	(868)	(1,633)
Other finance payments	13	(207)	(277)
Fair value movements of financial assets		(2,358)	(1,810)
Profit on ordinary activities before tax		<u>71,248</u>	<u>51,041</u>
Taxation on profit on ordinary activities	14	(13,422)	259
Profit for the financial year		<u>57,826</u>	<u>51,300</u>
Other comprehensive income for the year			
Remeasurement of net defined benefit liability	33	(2,631)	(4,154)
Movement of deferred tax relating to pension deficit		500	789
Fair value movement on hedge items	27	237	102
Movement of deferred tax relating to hedged items		(45)	(19)
Other comprehensive income for the year		<u>(1,939)</u>	<u>(3,282)</u>
Total comprehensive income for the year		<u>55,887</u>	<u>48,018</u>

The notes on pages 16 to 50 form part of these financial statements.

The Buccleuch Estates Limited

Registered number: SC012615

Statement of financial position

As at 31 October 2020

		2020 £000	2019 £000
Fixed assets			
Intangible assets	16	3	3
Tangible assets	17	18,228	18,000
Investments	18	93,592	92,739
Investment property	19	151,876	89,184
		<u>263,699</u>	<u>199,926</u>
Current assets			
Stock	20	995	954
Debtors: amounts falling due within one year	21	2,470	4,270
Debtors: amounts falling due after one year	22	3,252	3,238
Cash at bank and in hand	23	150	1,481
Creditors: amounts falling due within one year	24	(12,936)	(38,136)
Net current liabilities		<u>(6,069)</u>	<u>(28,193)</u>
Total assets less current liabilities		<u>257,630</u>	<u>171,733</u>
Creditors: amounts falling due after one year	25	(52,638)	(35,934)
Provision for liabilities			
Deferred tax	28	(20,100)	(6,815)
Pension liability	33	(11,561)	(11,540)
Net assets		<u>173,331</u>	<u>117,444</u>
Capital and reserves			
Called up share capital	29	420	420
Revaluation reserve	30	126,936	63,987
Capital redemption reserve	30	80	80
Hedging reserve	30	-	(192)
Profit and loss account	30	45,895	53,149
Shareholders' funds		<u>173,331</u>	<u>117,444</u>

The Buccleuch Estates Limited
Registered number: SC012615

Statement of financial position

As at 31 October 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by;



Bernard Higgins
Director

Date 25 June 2021

The notes on pages 16 to 50 form part of these financial statements.

The Buccleuch Estates Limited
Statement of changes in equity
For the year ended 31 October 2020

	Called up share capital	Capital redemption reserve	Revaluation reserve	Hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 November 2019	420	80	63,987	(192)	53,149	117,444
Profit for the year	-	-	-	-	57,826	57,826
Actuarial loss on pension scheme	-	-	-	-	(2,631)	(2,631)
Deferred tax movements on pension scheme	-	-	-	-	500	500
Amount recycled to profit and loss on hedging instruments	-	-	-	237	-	237
Deferred tax movement on hedging instruments	-	-	-	(45)	-	(45)
Total comprehensive income for the year	-	-	-	192	55,695	55,887
Transfer to / from profit and loss account	-	-	(4,543)	-	4,543	-
Revaluation on investments in the current year	-	-	67,492	-	(67,492)	-
At 31 October 2020	420	80	126,936	-	45,895	173,331

The notes on pages 16 - 50 form part of these financial statements.

Statement of changes in equity

For the year ended 31 October 2020

	Called up share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Hedging reserve £000	Profit and loss account £000	Total equity £000
At 1 November 2018 (as restated)	420	80	66,540	(275)	15,661	82,426
Profit for the year	-	-	-	-	51,300	51,300
Actuarial loss on pension scheme	-	-	-	-	(4,154)	(4,154)
Deferred tax movements on pension scheme	-	-	-	-	789	789
Amount recycled to profit and loss on hedging instruments	-	-	-	102	-	102
Deferred tax movement on hedging instruments	-	-	-	(19)	-	(19)
Total comprehensive income for the year	-	-	-	83	47,935	48,018
Dividend paid	-	-	-	-	(13,000)	(13,000)
Transfer to / from profit and loss account	-	-	(8,770)	-	8,770	-
Revaluation on investments in the current year	-	-	6,217	-	(6,217)	-
At 31 October 2019	420	80	63,987	(192)	53,149	117,444

The notes on pages 16 - 50 form part of these financial statements.

Notes to the financial statements

For the year ended 31 October 2020

1. General information

The Buccleuch Estates Limited is a private limited company incorporated in Scotland. The Registered Office is Buccleuch Weatherhouse, Bowhill, Selkirk, TD7 5ES. The principal activity of the Company continued to be that of Estate Ownership, management of agricultural and forestry land, commercial and residential property management and Farming.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

Going concern

The financial statements for the company have been prepared on the going concern basis. In arriving at their conclusion, the directors have considered the company's net assets position, normal working capital obligations, the Covid-19 pandemic, the cross-guarantee in place with other group companies and support which may need to be provided to other group entities.

Covid-19 has impacted the ability of the directors, who are supported by professional specialists in valuing the company's property assets, to predict how future fluctuations in the valuation of the group's properties will comply with the loan to value covenants which are in place with the group's lenders. This affects the company, as it is a guarantor of loans which are drawn to finance commercial property projects in other group companies. The group and company refinanced a significant portion of its debt with its primary lender post year end and secured financing on a 5 year term until 2024. The company has held discussions with both of its lenders and each lender has indicated their willingness to support the group during this challenging period.

The directors have prepared cash flows forecasts for the period to 31 October 2022 which did not indicate any breach of available headroom. Furthermore, the directors stress tested the cash flows included in the forecasts to take a more pessimistic view on the future and in this scenario the group and company still maintained sufficient headroom. Finally, the directors have performed a review of forecast covenant compliance using data provided by the valuation specialists to assess the impact on the company loan-to-value covenants and have considered the impact of reduced cash flows on the interest cover covenant. No likely breaches were identified from these forecasts and the directors do not deem a breach of covenants likely within the 12 month period from the signing of the financial statements.

Based on the assessment outlined above, the directors' are satisfied the company has the ability to meet future liabilities as they fall due over the next 12 months and as such the financial statements have been prepared on a going concern basis.

The following principal accounting policies have been applied:

Notes to the financial statements

For the year ended 31 October 2020

2.2 Group accounts

The results of the Company and its subsidiaries are included in the consolidated accounts of The MDS Estates Limited and the Company has therefore taken advantage of the exemption available under section 400 of the Companies Act 2006 and not prepared group accounts

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Basic Financial Instruments;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of The MDS Estates Limited as at 31 October 2020 and these financial statements may be obtained from Buccleuch Property Estate Office, Weekley, Kettering, Northamptonshire, NN16 9UP.

The company has also taken advantage of the exemption from disclosing key management personnel compensation as required by Section 28 of FRS 102.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Estate Rental Income

Rental income excluding VAT arising on investment properties is accounted for in profit or loss on a straight-line basis over the terms of the individual leases.

Lease incentives including rent-free periods and payments to tenants, are allocated to profit or loss on a straight-line basis over the lease term or on another systematic basis, if applicable. Where income is recognised in advance of the related cash flows, an adjustment is made to ensure that the carrying value of the relevant property, including accrued rent disclosed separately within 'trade and other receivables' does not exceed the external valuation.

Service Charges and Expenses Recoverable from Tenants

Where service charges and other expenses are recharged to tenants, the expense and the income received in reimbursement are offset within profit or loss and are not separately disclosed, as the Directors consider that the Company acts as agent in this respect. Service charges and other property-related expenses that are not recoverable from tenants are recognised in expenses on an accruals basis.

Shooting income

Turnover is recognised when the day of the shoot happens. Invoices are sent out at the time of booking and the income posted to deferred income.

Farming income

Turnover is recognised when it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

▪ Land	- Nil
▪ Investment properties	- Nil
▪ Heritable property	- 50 years
▪ Capital improvements	- 10 to 50 years
▪ Leasehold improvements	- the life of the lease
▪ Renewable energy projects	- Over life of the project
▪ Plant and machinery	- 3 to 5 years
▪ Fixtures and fittings	- 3 to 5 years
▪ IT equipment	- 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.8 Investment property

Investment property is carried at fair value determined this year for the first time by a third party valuer, Savills. No depreciation is provided. Changes in fair value are recognised in profit or loss. Any unrealised revaluations at the year end are transferred through the statement of changes in equity to the revaluation reserve.

2.9 Valuation of investments

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment. Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Investments in unlisted Company shares, (which are not treated as investments in subsidiaries or joint ventures) and where fair value can be reliably determined, are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads. For development property stock, costs represent direct materials plus attributable overheads and finance charges incurred in development. Impairments to work in progress are attributed in the first instance to any capitalised finance charges, and thereafter against direct materials plus attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.13 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are non basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are accounted for under hedge accounting see 2.15.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Hedge accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to interest rate risk on its bank loans. These derivatives are measured at fair value at each reporting date.

To the extent the cash flow hedge is effective; movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

If the hedge designations are no longer considered appropriate, any amounts previously recognised through the hedging reserve are reclassified through profit or loss in the year that the hedge designation is derecognised. As at 31 October 2020 there was no hedge accounting used.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.16 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income.

2.17 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.19 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.20 Pensions

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.21 Interest income

Interest income is recognised in profit or loss using the effective interest method.

Notes to the financial statements

For the year ended 31 October 2020

2. Accounting policies (continued)

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements

For the year ended 31 October 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Pension

The Company operates a multi-employer defined benefit pension scheme. It has recognised a liability for this in the accounts to the sum of £11,561,000 (2019: £ 11,540,000). This liability was determined using an actuarial valuation. A number of assumptions are made in order to calculate the liability, including discount rate, rate of return on plan assets, future salary and pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation. For further details, see note 33 of the accounts.

Deferred tax

Deferred tax liabilities have been recognised on unrealised gains on properties and investments. In relation to the unrealised gains on properties, an estimation has been made of the market value as at 31 March 1982 based on a rolling average of disposals over the last five years in calculating the estimated capital gain on which deferred tax has been calculated. Significant judgement is required to determine the estimated capital gains on properties on which a deferred tax liability is recognised.

Deferred tax assets are recognised for all unabsorbed tax losses which are available to offset against future capital gains to the extent that it is probable that taxable profits will be available against which the losses can be offset. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Investment properties

Savills have been instructed to value all of the investment properties on the various estates on the basis of Fair Value. This includes all properties let to third parties and any vacant or void properties that are due to be let, and also includes the mansion houses which are let to connected parties. Any property occupied in hand or those occupied by employees or ex-employees are excluded. A schedule of the properties together with lease details were provided to Savills, their estimates and associated assumptions were reviewed by the Group and considered relevant.

A rolling program of inspections were carried out and a sample inspected. The approach has been to value in detail those properties that have been inspected considering both their Vacant Possession Value and Market Value. For the remaining properties a yield approach was used, based on the evidence that came from the properties that were inspected.

Notes to the financial statements

For the year ended 31 October 2020

4. Turnover

All turnover arose within the United Kingdom.

5. Other operating income

	2020	2019
	£000	£000
Profit on disposal of tangible assets	4,708	17,236
Profit on disposal of investments	13	2,069
	<u>4,721</u>	<u>19,305</u>

6. Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Defined benefit pension cost	298	332
Defined contribution pension cost	165	155
Operating leases	23	38
Depreciation - owned	<u>696</u>	<u>777</u>
Gain on revaluation of investment property	66,532	6,218
Gain on revaluation of unlisted investments	960	-
Gain on revaluation of listed investments	<u>205</u>	<u>337</u>

Notes to the financial statements

For the year ended 31 October 2020

7. Auditors remuneration

	2020	2019
	£000	£000
Fees payable to auditor for audit of the Company's financial statements	-	-

The entire audit fee is paid by The MDS Estates Limited, as parent company.

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£000	£000
Wages and salaries	3,177	3,229
Social security costs	280	285
Cost of defined benefit scheme and defined contribution scheme	780	704
	<u>4,237</u>	<u>4,218</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	£000	£000
Full time employees	74	71
Part time employees	97	66
	<u>171</u>	<u>137</u>

9. Directors' remuneration

No director received emoluments from this entity as all were paid through The MDS Estates Limited.

Notes to the financial statements

For the year ended 31 October 2020

10. Income from other fixed investments

	2020	2019
	£000	£000
Income from fixed asset investments	5,094	29,111
	<u>5,094</u>	<u>29,111</u>

11. Interest receivable

	2020	2019
	£000	£000
Other interest receivable from joint ventures	-	-

12. Interest payable and similar charges

	2020	2019
	£000	£000
Bank interest payable	751	1,673
Loan interest payable to related parties	96	126
Interest payable to group undertakings	21	(166)
	<u>868</u>	<u>1,633</u>

13. Other finance costs

	2020	2019
	£000	£000
Net interest on defined benefit pension scheme	207	277
	<u>207</u>	<u>277</u>

Notes to the financial statements

For the year ended 31 October 2020

14. Taxation

	2020 £000	2019 £000
Current tax on profits of the year		
Adjustments in respect of previous periods	78	(1,196)
Receipts for surrender of tax losses	281	629
Total current year tax	<u>359</u>	<u>(567)</u>

	2020 £000	2019 £000
Deferred tax		
Origination and reversal of timing differences	(13,285)	1,618
Tax on defined benefit pension deficit in the profit and loss	(496)	(792)
Total deferred tax	<u>(13,781)</u>	<u>826</u>

	2020 £000	2019 £000
Corporation tax		
Current year tax charge	359	(567)
Current year deferred tax movement	(13,781)	826
Taxation on profit on ordinary activities	<u>(13,422)</u>	<u>259</u>

Notes to the financial statements

For the year ended 31 October 2020

14. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020	2019
	£000	£000
Profit on ordinary activities before tax	71,249	51,041
Profit on ordinary activities at standard rate of corporation tax	(13,537)	(9,693)
Effects of:		
Expenses not deductible for tax purposes	(950)	(192)
Fixed asset timing differences	858	3,218
Adjustments to tax charge in respect of prior periods	78	(1,196)
Adjustments to tax charge in respect of prior periods (deferred tax)	120	-
Rate differences	(538)	37
Non-taxable income	971	1,265
Exempt distribution income	-	5,486
Capital gains/(losses)	(877)	-
Deferred tax not recognised	172	705
Receipts of surrendered tax losses	281	629
	<u>(13,422)</u>	<u>259</u>

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred tax assets and liabilities at 31 October 2020 have been calculated based on the rate of 19% enacted at the balance sheet date. The 2021 budget proposal increases the corporation tax rate to 25% from 1 April 2023. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the financial statements

For the year ended 31 October 2020

15. Dividends

	2020	2019
	£000	£000
Paid during the year: dividends on equity shares	-	13,000
	<u>-</u>	<u>13,000</u>

16. Intangible fixed assets

	Single farm payments and fishing rights £000
Cost	
At 1 November 2019	6
Additions	-
Disposals	-
	<u>6</u>
Amortisation	
At 1 November 2019	3
Depreciation	-
On disposals	-
	<u>3</u>
Net book value at 31 October 2020	<u><u>3</u></u>
Net book value at 31 October 2019	<u>3</u>

Notes to the financial statements

For the year ended 31 October 2020

17. Tangible fixed assets

	Heritable property and improv'mts £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 November 2019	18,871	2,995	181	22,047
Additions	643	323	-	966
Disposals	(39)	(170)	(10)	(219)
Transfer to investment property	-	-	-	-
Transfers from group undertakings	(7)	24	-	17
At 31 October 2020	19,468	3,172	171	22,811
Amortisation				
At 1 November 2019	1,845	2,053	149	4,047
Charge for the year	391	292	13	696
Disposals	-	(158)	(10)	(168)
Transfers from group undertakings	-	8	-	8
At 31 October 2020	2,236	2,195	152	4,583
Net book value at 31 October 2020	17,232	977	19	18,228
Net book value at 31 October 2019	17,026	942	32	18,000

18. Fixed asset investments

	Shares in group undertakings £000	Listed investments £000	Unlisted investments £000	Loans to group undertakings £000	Total £000
Cost or value					
At 1 November 2019	87,445	4,498	166	630	92,739
Additions	1,106	-	80	130	1,316
Disposals	-	(998)	-	(630)	(1,628)
Revaluations	-	205	960	-	1,165
Capital contributions	-	-	-	-	-
At 31 October 2020	88,551	3,705	1,206	130	93,592

Notes to the financial statements

For the year ended 31 October 2020

18. Fixed asset investments (continued)

Subsidiary Undertakings	Principal Activity	Country of Incorporation or Registration	Class of Shares held	Proportion	Notes
Buccleuch Properties Ltd	Holding Company	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 Development	England	Ordinary	100%	3
Shawfair Park Management Ltd	Property Management	Scotland	Ordinary	100%	7
Buccleuch Property (Beckton) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property Investment Managers Ltd	Trading	England	Ordinary	100%	2
Buccleuch Property (Sheriffhall South) Ltd	Property Development	Scotland	Ordinary	91%	3
Buccleuch Property (Bedford) Ltd	Property Development	England	Ordinary	100%	3
Tarras Park Properties (Campden Hill) Ltd	Holding Company	England	Ordinary	100%	3
Dabton Investments Limited	Holding Company	England	Ordinary	100%	3
Buccleuch Property (Scarborough) Ltd	Property Development	England	Ordinary	100%	3
Bearworth Investments Inc.	Holding Company	USA	Ordinary	100%	3
Buccleuch Property Developments (Scotland) Ltd	Property Investment	Scotland	Ordinary	100%	3
Buccleuch Property (Belvedere) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Dartford) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Washington) Ltd	Property Development	England	Ordinary	100%	3
Arbucc (Drum) Ltd	Property Development	England	Ordinary	100%	3
The Acorns Residents Management Company Ltd	Property Management	England	Ordinary	100%	3
Buccleuch Woodlands Enterprises Ltd	Holding Company	Scotland	Ordinary	100%	1
Buccleuch Woodlands Ltd	Woodlands Ownership & Management	Scotland	Ordinary	100%	5
Buccleuch Property (Newtown St Boswells) Limited	Property Development	Scotland	Ordinary	100%	3
Scotaus (Holdings) Proprietary Ltd	Investment	Australia	Ordinary	100%	1
Alba Trees plc.	Production of cell-grown plants	England	Ordinary	60.28%	1
BQ Farms Ltd	Farming	Scotland	Ordinary	100%	1

Notes to the financial statements

For the year ended 31 October 2020

18. Fixed asset investments (continued)

Subsidiary Undertakings	Principal Activity	Country of Incorporation or Registration	Class of Shares Held	Proportion	Notes
BQ Farming Partnerships Ltd	Farming	Scotland	Ordinary	100%	4
BQ Farms (South) Ltd	Farming	Scotland	Ordinary	100%	4
Granton Assets Ltd	Investments in farming	Scotland	Ordinary	80%	1
Glenmuckloch Restoration Ltd	Trading	England	Ordinary	100%	1
Glenmuckloch Renewable Energy Ltd	Trading	Scotland	Ordinary	100%	8

Notes to the financial statements

For the year ended 31 October 2020

18. Fixed asset investments (continued)

Joint Ventures	Principal Activity	Country of Incorporation or Registration	Class of Shares Held	Proportion	Notes
Clan Real Estate Ltd	Trading	England	Ordinary	50%	1
York Investors LLP	Property Development	Scotland	Partnership	50%	3
The Ely Cloisters Estate Ltd	Property Investment	England	Ordinary	50%	3
Hanwood Park LLP	Property Development	England	Ordinary	50%	3
Queensberry Properties Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (Peebles) Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (Kinnear Road) Ltd	Property Development	Scotland	Ordinary	50%	3
Buccleuch ASP LLP	Property Investment	Scotland	Partnership	50%	3
Kettering Land LLP	Property Development	England	Partnership	25%	3
Shawfair LLP	Property Development	Scotland	Partnership	50%	3
Buccleuch KFI (Ibroy) Limited	Investment	Scotland	Ordinary	50%	3
Buccmoor Limited Partnership	Development	Scotland	Partnership	32.76%	3
Buccmoor General Partner Limited	Investment	Scotland	Ordinary	25%	3
Litton Buccleuch (Moore Street) Limited	Development	England	Ordinary	50%	3
The Berwicks Company	Farming	Australia	Partnership	71%	6
Berwicks 2000 Partnership	Farming	Australia	Partnership	54%	6
Queensberry Properties (Otago) Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (New Waverley) Ltd	Property Development	Scotland	Ordinary	50%	3
Touch Shenstone Limited	Property Development	England	Ordinary	50%	3
iMpeC Real Estate Ltd	Property Development	England	Ordinary	50%	3
Argon Property Development Solutions Ltd	Property Development	England	Ordinary	50%	3
Buccleuch Property (Bonnington) Ltd	Property Development	Scotland	Ordinary	50%	3

Notes to the financial statements

For the year ended 31 October 2020

18. Fixed asset investments (continued)

Associates	Principal Activity	Country of Incorporation or Registration	Class of Shares Held	Proportion	Notes
Clan Bankside LLP	Property Development	England	Partnership	33.3%	1

- 1 Held directly by The Buccleuch Estates Ltd.
- 2 Held by Buccleuch Properties Ltd.
- 3 These companies are subsidiary undertakings, joint ventures and associates of Tarras Park Properties Ltd.
- 4 Held by BQ Farms Ltd.
- 5 Held by Buccleuch Woodland Enterprises Ltd.
- 6 Held by Scotaus (Holdings) Proprietary Ltd.
- 7 Held by Buccleuch Property (Shawfair) Ltd.
- 8 Held by Glenmuckloch Restoration Ltd.

The financial year ends of York Investors LLP, Queensberry Properties Limited, Queensberry Properties (Peebles) Limited, Queensberry Properties (Kinnear Road) Limited, Seagrove Holdings Limited, Kettering Land LLP and Hanwood Park LLP do not end with that of the company. The financial year ends in respect of these undertakings were 31 March 2020, with the exception of York Investors LLP which is 31 December 2020. The results for these undertakings were consolidated for the year to 31 October and 30 September 2020. For those undertakings consolidated for the year to 30 September 2020, the directors are satisfied that there is no material difference between the figures to 30 September 2020 and those to the reporting date of 31 October 2020.

Other Investments	Activity	Country of registration	Class of share capital held	Proportion held
Squarestone Investment Partners (Portugal) LLP	Investment	England	Partnership	8.6%
NL (Pollen) Limited	Holding	Jersey	Ordinary	28.5%
Clan (Alpha Place) LLP	Holding	England	Partnership	11.5%
NL Kilmuir (Jersey) Limited	Holding	Jersey	Ordinary	20%
Clan Bankside Quarter (UK) Limited	Holding	England	Ordinary	10%
Native Land Ltd	Trading	England	Ordinary	10%
Native Land Investment Company Ltd	Investment	England	Ordinary	10%
Native Land (Kensington) Ltd	Holding	England	Ordinary	6.25%
GState Holdings LLC	Holding	USA	Partnership	5.8%
Stovall RE Holdings LLC	Holding	USA	Partnership	3.2%
Clan (Regent House) LLP	Holding	England	Ordinary	5.3%
Flowery Branch Holdings LLP	Holding	USA	Partnership	5.01%
G State Dobbs Holdings LLP	Holding	USA	Partnership	4.46%

The company holds an investment of more than 20% of the following:

Participating interests	Principal activity	Country of registration	Class of share capital held	Proportion held
Clan Bankside LLP	Development	England	-	33.3%
NL (Pollen) Limited	Holding	Jersey	Ordinary	28.5%

Notes to the financial statements

For the year ended 31 October 2020

19. Investment property

	Freehold investment property £000
Valuation	
At 1 November 2019	89,184
Additions	710
Disposals	(4,550)
Reallocation from heritable property	-
Revaluation	66,532
Valuation at 31 October 2020	151,876

Investment property was valued by Savills at 31 October 2020. Their valuation was prepared at Fair Value, being "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

The critical assumptions made relating to the valuations are those set out in the Key judgements and estimates section in note 3.

	2020 £000	2019 £000
Historical cost of investment properties held at fair value	17,382	16,679

Notes to the financial statements

For the year ended 31 October 2020

20. Stock

	2020	2019
	£000	£000
Work in progress	380	355
Estate	615	599
	<u>995</u>	<u>954</u>

21. Debtors: due within one year

	2020	2019
	£000	£000
Trade debtors	1,015	558
Amounts owed by group undertakings	373	1,339
Other debtors	154	1,644
Prepayments and accrued income	928	729
	<u>2,470</u>	<u>4,270</u>

22. Debtors: due after more than one year

	2020	2019
	£000	£000
Other debtors	1,055	980
Deferred tax asset	2,197	2,238
Derivatives	-	20
	<u>3,252</u>	<u>3,238</u>

23. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	150	1,481
Less bank overdraft	(3,728)	(5,066)
	<u>(3,578)</u>	<u>(3,585)</u>

Notes to the financial statements

For the year ended 31 October 2020

24. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Bank overdrafts	3,728	5,066
Bank loans	1,200	23,090
Trade creditors	817	797
Amounts owed to group undertakings	234	1,200
Amounts owed to other related parties	5,184	5,184
Other taxes and social security	90	1,242
Other creditors	188	201
Accruals and deferred income	1,495	1,356
	<u>12,936</u>	<u>38,136</u>

Amounts owed to group undertakings includes a loan from Granton Assets Ltd totaling £nil, (2019: £1,192,651). Interest has been charged at 4.5%. This was repaid during the year. The remainder of the balance is working capital movements.

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 Buccleuch Estates Limited has granted a pledge over £3,000,000 of its investment portfolio of marketable securities in favour of The Royal Bank of Scotland plc as additional security for its loans.

On 9th November 2015 the ordinary shares in Granton Assets Limited held by The Buccleuch Estates Limited were pledged to HSBC Bank plc as security against a loan facility provided to The Buccleuch Estates Limited. In the event that the terms of the facility agreement with HSBC Bank plc are breached the bank has the right to take possession of the shares and dissolve the farming partnership tenancies in which Granton Assets Limited is involved, to secure vacant possession of the underlying land which has also been pledged to HSBC Bank plc.

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.

25. Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Bank loans	46,644	32,042
Derivatives	5,994	3,892
	<u>52,638</u>	<u>35,934</u>

Notes to the financial statements

For the year ended 31 October 2020

26. Maturity of loans and overdrafts

	2020	2019
	£000	£000
Amounts repayable within one year	1,200	23,090
Amounts repayable in one to two years	4,820	1,200
Amounts repayable in two to five years	3,600	6,196
Amounts repayable in five years or more	38,224	24,646
	<u>47,844</u>	<u>55,132</u>

22. Financial instruments

As at 31 October 2020 there was no further hedge accounting used.

At the year end, the fair value of the financial instruments has been applied are recognised as a derivative liability for £5,993,827 (2019: £3,891,921) and an asset for £nil (2019: £19,586). The Company uses variable fixed interest rate swaps to manage its exposure to cash flow risk arising from floating rate liabilities.

The swap with HSBC Bank plc was designated as a cash flow hedge, hedging variable interest rate payments linked to Base rate arising from the loan with the same bank, with a maturity of 1 October 2027. Due to a change in the expected timing of future repayments, the future interest payments on the debt are no longer considered highly probable. Therefore amounts have been recycled to the profit and loss account from other comprehensive income. The amounts recycled have been done on the basis of the future expected timing of cash flow. The amount recycled from the hedging reserve to the profit and loss in the current year is £236,605 (2019: £101,689). The amount retained within the hedging reserve relating to the HSBC swap is now nil. Any future movements in the fair value of the instrument will be charged directly profit or loss. For this cash flow hedge the amount included within other comprehensive income and profit and loss (as ineffectiveness) is a loss of £nil (2019: loss of £277,500) and a debit of £2,358,097 (2019: credit of £1,848,359), respectively.

The swap with The Royal Bank of Scotland plc, is designated as a cash flow hedge, hedging variable interest rate payments linked to 3 month GBP LIBOR arising from certain loan facilities with the same bank, with a maturity of 26th May 2020. For this cash flow hedge the amount included within other comprehensive income and profit and loss (as ineffectiveness) is a loss of £nil (2019: loss of £40,895) and £nil (2019: £21,309) respectively.

For these cash flow hedges, the amounts recorded cumulatively in other comprehensive income and profit and loss (as ineffectiveness) have been a loss of £nil (2019: £236,605) and £5,993,827 (2019: £3,635,730), respectively, and the amounts reclassified from OCI, related to the settlements of the derivatives, have been nil.

Notes to the financial statements

For the year ended 31 October 2020

27. Deferred taxation

	2020 £000	2019 £000
Group		
At beginning of year	(4,577)	(6,172)
Charged to profit and loss	(13,781)	825
Charged to other comprehensive income	455	770
At end of year	<u>(17,903)</u>	<u>(4,577)</u>

	2020 £000	2019 £000
The provision for deferred taxation is made up as follows:		
Revaluation of properties and investments	(22,612)	(9,358)
Tax losses carried forward	3,577	3,496
Recognition of rolled over gains	(1,065)	(952)
Pension liability	2,197	2,192
Swaps and other financial instruments	-	45
	<u>(17,903)</u>	<u>(4,577)</u>

	2020 £000	2019 £000
Comprising:		
Asset – due after one year	2,197	2,238
Liability	(20,100)	(6,815)
	<u>(17,903)</u>	<u>(4,577)</u>

Notes to the financial statements

For the year ended 31 October 2020

28. Share capital

	2020	2019
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
420,000 ordinary shares of £1 each	420	420

29. Reserves

Revaluation reserve

This reserve records the revaluation of investment property and the deferred tax thereon. This is a non-distributable reserve. This is only for unrealised gains and losses and once realised again gains or losses are taken to the profit and loss account reserve.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Hedging reserve

This reserve records fair value movements on cash flow hedging instruments. Once the instrument is settled or the hedge designation is no longer valid these amounts then get recycled to profit and loss account reserve.

Profit and loss account

The profit and loss account reserve records retained earnings and accumulated losses.

Notes to the financial statements

For the year ended 31 October 2020

30. Contingent liabilities

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

In 2019 the Company entered into a Pension Funding Agreement with The Buccleuch Estates Limited Pension Trustee Company (the trustee). In support of its obligations the Company agreed to provide the trustee with contingent assets. Therefore, the Company procured that its subsidiary The Boughton Estates Limited granted a security and legal charge over certain residential properties on the Boughton Estate to a maximum value of £8m. In March 2019 The MDS Estates entered into a parental guarantee in favour of The Buccleuch Estates Limited Pension Trustee Company to further support the group's commitment to its pension scheme obligations.

The directors have signed an unlimited intercompany guarantee in favour of the group's bankers, The Royal Bank of Scotland plc in respect of the group's global overdraft and debt facility. The Company had a total contingent liability at 31 October 2020 of £20,190,860 (2019 - £15,365,759).

31. Capital commitments

The company had no capital commitments at 31 October 2020 (2019: £NIL).

Notes to the financial statements

For the year ended 31 October 2020

32. Pension commitments

The Group operates a Defined benefit pension scheme for employees of the parent company and subsidiary companies.

This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 30 April 2018 and updated to 31 October 2020 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent full actuarial valuation showed a deficit of £9,166,000. The Company has agreed with the trustees that it will aim to eliminate the deficit over a period of 4 years and three months from 30 April 2019 by the payment of annual contributions of £1,109,400 in respect of the deficit. In addition, a further contribution of £4,200,000 will be made by 1 April 2020. In addition, and in accordance with the actuarial valuation, the Company has agreed with the trustees that it will pay the balance over member contributions to make a total rate of 27.44% of pensionable pay and will meet expenses of the scheme and levies to the Pension Protection Fund. Member contributions are payable in addition at the rate of 10.3% of pensionable pay for Directors & Senior Staff and 4.5% p.a. of pensionable pay for other employees.

At the date of the latest updated actuarial valuation of the scheme the market value of the scheme's assets was £38,181,000 (2019: £35,337,000) and the actuarial value of the assets was sufficient to cover 77% (2019: 75%) of the benefits that had accrued to members. The liability arising from the scheme amounts to £49,742,000 (2019: £46,877,000). The scheme deficit of £11,561,000 and a related deferred tax asset of £2,196,590 have been included in the Company's Statement of financial position. This is a multi-employer scheme of which the Company is unable to identify its share of the underlying assets and liabilities in the defined benefit scheme.

The entire pension obligation deficit and deferred tax asset has been recognised in the accounts of The Buccleuch Estates Limited.

	2020 £000	2019 £000
Reconciliation of present value of plan liabilities:		
At the beginning of the year	46,877	40,977
Current service cost	298	332
Interest cost	930	1,131
Actuarial gains / (losses)	2,668	5,910
Contributions	61	62
Benefits paid	(1,092)	(1,535)
At the end of the year	<u>49,742</u>	<u>46,877</u>

Notes to the financial statements

For the year ended 31 October 2020

33. Pension commitments (continued)

	2020 £000	2019 £000
Reconciliation of present value of plan assets:		
At the beginning of the year	35,337	29,422
Interest income	723	854
Actuarial gains / (losses)	37	1,756
Contributions	3,176	4,840
Benefits paid	(1,092)	(1,535)
At the end of the year	<u>38,181</u>	<u>35,337</u>
	2020 £000	2019 £000
Composition of plan:		
Fair value of plan assets	38,181	35,337
Present value of plan liabilities	(49,742)	(46,877)
Net pension scheme liability	<u>(11,561)</u>	<u>(11,540)</u>
	2020 £000	2019 £000
Amounts recognised in profit or loss are as follows:		
Current service costs	298	332
Interest on obligation	207	277
Benefit changes	-	-
Total	<u>505</u>	<u>609</u>

Notes to the financial statements

For the year ended 31 October 2020

33. Pension commitments (continued)

	2020 £000	2019 £000
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income:		
Actual return less interest income included in net interest income	37	1,756
Experience gains and losses arising on the scheme liabilities	88	8
Changes in assumptions underlying the present value of the scheme liabilities	(2,756)	(5,918)
Total	(2,631)	(4,154)

	2020 %	2019 %
Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):		
Discount rate	1.70	2.00
Future salary increases	3.20	3.20
Pension increases in payment (capped at 5% pa)	3.20	3.20
Pension increases in payment (capped at 2.5% pa)	2.50	2.50
Inflation (RPI)	3.20	3.20

	2020 %	2019 %
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The mortality assumptions adopted at 31 October 2020 imply the following life expectancies on retirement at age 65:

Retiring today		
Male	19.90	19.90
Female	23.10	23.10
Retiring in 20 years		
Male	21.30	21.40
Female	24.70	24.70

Notes to the financial statements

For the year ended 31 October 2020

33. Pension commitments (continued)

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Amounts for the current and previous four periods are as follows:					
Defined benefit obligation	(49,742)	(46,877)	(40,977)	(41,765)	(42,161)
Scheme assets	38,181	35,337	29,422	30,213	29,352
Deficit	<u>(11,561)</u>	<u>(11,540)</u>	<u>(11,555)</u>	<u>(11,552)</u>	<u>(12,809)</u>

The best estimate of contributions to be paid by the company to the scheme for the period commencing 1 November 2020 is £1,394,500 (2019: £5,310,000)

	2020 £000	2019 £000
Assets:		
Bonds	9,863	11,917
Diversified growth	25,497	22,684
Cash	2,821	736
Total	<u>38,181</u>	<u>35,337</u>

The Buccleuch Estates Limited
Notes to the financial statements
For the year ended 31 October 2020

33. Commitments under operating leases

	2020 £000	2019 £000
At 31 October 2020 the Company had future minimum lease payments under non – cancellable operating leases as follows:		
Not later than 1 year	47	16
Later than 1 year and not later than 5 years	12	14
Later than 5 years	-	-
Total	<u>59</u>	<u>30</u>

Notes to the financial statements

For the year ended 31 October 2020

34. Related party transactions

During the year the company entered into the following transactions with other related parties:

Related Party	Relationship	Nature of balance	2020	2019
			£	£
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Net recharge of costs	89,458	109,533
Lord John Scott	Immediate family member of a director	Maintenance costs	2,855	5,050
Lord Damian Scott	Director	Maintenance costs	6,240	1,106
The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Net recharge of costs	230,131	385,868
The Earl of Dalkeith	Director	Loan movement	-	(1,000,000)
The Earl of Dalkeith	Director	Recharge of costs	16,258	8,364
The Earl of Dalkeith	Director	Interest	(95,431)	(126,500)
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Solum ground rent	5,392	7,395
J R K Glen	Director	Loan advanced	-	342,999
The Crawick Multiverse Trust	Directors of the Company are Trustees of the Trust	Recharge of costs	146	920
Clonhie Deer Partnership	Partnership	Fencing investment	2,360	2,256
Borders Farming P'ship	Partnership	Management fee	15,000	15,000
Borders Farming P'ship	Partnership	Recharge of costs	2,793	(16,589)

Notes to the financial statements

For the year ended 31 October 2020

35. Related party transactions (continued)

The following balances were due from/(to) related parties at 31 October 2020:

Related Party	Relationship	Nature of transactions	2020	2019
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Current debtor	(21,127)	-
Lord John Scott	Immediate family member of a director	Current debtor	30	4,044
Lord Damian Scott	Director	Current debtor	2,160	70
The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Quarterly charge	46,716	17,412
The Earl of Dalkeith	Director	Loan balance	(5,183,835)	(5,183,835)
The Earl of Dalkeith	Director	Current debtor	3,675	9,570
The Crawick Multiverse Trust	Directors of the Company are Trustees of the Trust	Current debtor	-	206
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Solum ground rent	1,900	-
Borders Farming P'ship	Partnership	Current debtor	320	1,183

36. Controlling party

The Company's immediate parent undertaking and ultimate parent undertaking and controlling entity is The MDS Estates Limited, a company registered in England. The smallest and largest group of companies which prepares consolidated accounts which this company is included in is The MDS Estates Limited. Consolidated accounts can be obtained from the company secretary, at The Estate Office, Weekley, Kettering, Northamptonshire, NN16 9UP.