Financial Statements
The MDS Estates Limited

For the year ended 31 October 2016

PARENT AA
SC336517

Registered number: 09221483

Company Information

Directors	J R K Glen B Higgins The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL The Duchess of Buccleuch and Queensberry The Earl of Dalkeith Lord Damian Scott Lord John Scott P M Walsh
Company secretary	M J McGrath
Registered number	09221483
Registered office	Estate Office Weekley Kettering Northamptonshire NN16 9UP
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Glasgow G1 3BX
Bankers	Royal Bank of Scotland 36 St Andrew Square EDINBURGH EH3 8EY HSBC Bank plc 13 Parliament Street YORK YO1 8XS

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Group strategic report
For the year ended 31 October 2016

Introduction - Business Review

Every year, I begin drafting this message by reading last year's report, hoping not to repeat myself and to highlight what has changed. Last year's report identified an environment where constitutional debate in Scotland and the UK was creating uncertainty and a distraction from building a sustainable recovery in the UK economy. The lack of clarity in UK energy policy and its preferred technologies, making investment and delivery of solutions very difficult. Nearly 18 months on and, sadly, these comments seem as pertinent today and the next few years as they were then.

In April, The Land Reform Act of 2016 was passed, and while long on ambition, much of the detail and practicability will have to be dealt with in secondary legislation. Regrettably, land use has been ignored, despite the promising pilots undertaken in Aberdeenshire and the Borders. These challenges will need to be addressed when debated in a post-CAP environment, which will require a conversation with UK and Scottish taxpayers on what they wish to achieve with their subsidies; a conversation that has not been had for over 40 years.

Against this backdrop, we have taken some major initiatives during 2016 to deliver our long-term strategic ambitions. The biggest has been the completion of an £8.9M investment in the development of the stable-yard and park at Dalkeith, creating a major new retail and food destination on the edge of Edinburgh. This, combined with building of Fort Douglas, a new modern children's activity park, has attracted over 110,000 visitors since opening at the end of July and created 40 new jobs in the Dalkeith area. This investment is part of a long-term strategy to develop a broader portfolio of activities and experiences in this heritage setting over the coming years.

On the energy side, we have been working for several years now to restore and convert the abandoned open cast coal site at Glenmuckloch into a major new energy park, which will centre around an industrial scale (200-400MW) Pump Storage Hydro facility offering 1600mwhs of electricity storage capacity. The equivalent to 200MW of renewable power delivered over an eight-hour period, this would make a significant contribution to the balance and stability of the electricity grid in South West Scotland. The development was granted planning consent in October, following the consent of 26MW of wind capacity on the same site, granted in July. We continue to develop the economic business case for the investment of circa £300m, which would generate 250 new jobs, over a five-year construction phase, within a local economy, which struggled following the demise of the coal industry. Our renewable energy pipeline contains a number of major projects in the South of Scotland based on a range of renewable technologies. We hope to progress these over the coming years, with an ambition to attract appropriate business development to the source of the energy and thus stimulate economic development within the communities.

This is the first year that the financial accounts of the Group have been prepared under Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") and significant presentational changes arise as a result. These flatter the underlying performance of the business of the Group and trading in our traditional rural activities such as agriculture, forestry, rural property and heritage tourism has been challenging during the period.

The Group is reporting total comprehensive income for the year of £14.412m, compared with a figure for the prior year of £5.255m as restated under the provisions of FRS102. The adoption of FRS102 has required certain amounts to be recognised within profitability, which would not have been under previous accounting principles. The effect of including these amounts in the year has been to flatter the financial performance for the year by £15.004m, suggesting an underlying loss for the Group of £592k against an underlying profit of £200k in the prior year calculated on the same basis.

Focussing our asset allocation on income generation remains a key priority and we have invested behind each of our key strategic sectors while continuing to attend to the quality of our stewardship and heritage assets.

Group strategic report
For the year ended 31 October 2016

The following table provides an indication of the effects of elimination of FRS102 adjustments on profitability:

	2016 £000	2015 £000
Adjusted (loss)/profit for the year as comparable to old UK GAAP	**(592)**	200
Items which would previously have been shown in the Statement of recognised gains and losses under old UK GAAP	**15,414**	5,865
Adjustments required by FRS 102:-		
Movement in financial assets carried at fair value through profit and loss	**2,031**	(200)
Movement in financial liabilities carried at fair value through profit and loss	**(1,690)**	(860)
Movement in deferred tax arising as a consequence of the above	**(858)**	73
Non-controlling interest	**107**	177
Total comprehensive income	**14,412**	5,255

Commercial Property

After the strong performance of the markets in 2015, it was difficult to see how capital growth could continue on the same trajectory and this was borne out in 2016 as most sectors flat lined. The story was much more about rental growth and careful stock selection as we saw a continued shortage of supply and sustained occupational demand in most core markets. The Property Data stats indicated a reduced volume of investment trading from £66bn to £51bn and MSCI indicated the overall Total Returns for UK Commercial dipping from 13.1% to 3.5%. Inevitably, some sectors fared better than others with industrial leading the way at 7.3% and retail remaining in the doldrums at 1.7%.

The residential market continues to perform well with strong demand for 'oven ready' land from both the PLC and mid-size house builders with sales of completed houses across almost all sectors and locations holding up with strong underlying demand. The only exception was London where most commentators agree that headline pricing has certainly dipped by a minimum of 10% with a resultant fall in volumes.

Our strategy remains robust as we continue to realise mature projects across all our markets which has enabled us to maintain profitability across the portfolio; the emphasis is on achieving a balance of risk between investment and development projects and maximising returns from existing land ownerships. The challenge has been the speed of re-investment strategy, which is behind target, and this is being re-focussed for the forthcoming year with additional resource and a greater emphasis on sourcing through existing and new JV partnerships.

Group strategic report

For the year ended 31 October 2016

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:

	2016	2015
	£000	£000
Turnover	29,986	38,224
Gross margin	10,700	12,678
Overheads	(15,409)	(14,815)
Revenue generated from property disposals	21,366	22,273
Investments in JVs, investment properties and investments	(5,213)	(5,745)
Debt levels	(127,778)	(125,852)

Group strategic report
For the year ended 31 October 2016

Principal risks and uncertainties

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

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

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

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

Price risk
The Group's exposure to price risk consists mainly of movements in the value of the Group's investments in commercial property, rural property and securities. The impact of valuation movements has implications on profitability, together with loan to value covenants on those projects involving senior debt, which has an impact on the potential need for additional equity/security.

The Group mitigates this risk by tightly controlling individual projects by having a strong and long standing internal resource which actively manages the portfolio, and by employing external property managers of development project managers where necessary.

Additionally, the group mitigates this risk by holding a diverse portfolio of assets in terms of market, asset class, sector and geographical location.

Liquidity risk
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 group is reliant on having sufficient liquidity to meet its commitments and liabilities as they fall due, but also to enable the group to recycle equity with a view to re-investing into new projects and growing the business.

The Group mitigates this risk by performing cash projections on a monthly basis, quarterly reforecasts and an annual budgeting exercise which enables the Group and its ultimate parent undertaking to regularly assess what funding availiability exists now and in the future. The Group also has strong and long standing relationships with its bankers, and financial covenants are regularly reviewed to ensure compliance of existing debt facilities.

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

Group strategic report
For the year ended 31 October 2016

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

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

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

Date: 13 July 2017

Directors' report
For the year ended 31 October 2016

The directors present their report and the financial statements for the year ended 31 October 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Group continued to be that of Estate Ownership, management of agricultural and forestry land, commercial and residential property management and Farming. The MDS Estates Limited is the ultimate parent holding company for The Buccleuch Estates Limited and Buccleuch Holdings Limited and their subsidiaries.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £21,253,000 (2015 - £6,176,000).

Directors

The directors who served during the year were:

J R K Glen
B Higgins
The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL
The Duchess of Buccleuch and Queensberry
The Earl of Dalkeith
Lord Damian Scott
Lord John Scott
P M Walsh

Directors' report (continued)

For the year ended 31 October 2016

Financial instruments

Details of the financial instruments are provided in the Strategic report on pages 4 and 5.

Employee involvement

The average monthly number employed during the year was 249 full time employees (2015: 262) and 137 part time employees (2015: 91). The group employs a wide range of people and welcomes the contribution that this diversity brings. The group operates best practice Human Resources policies and communication structures designed to meet the needs of Buccleuch.

Disclosure of information to auditor

Each of the persons who are directors 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 and the Group's auditor is unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post statement of financial position events

There have been no significant events affecting the Group since the year end.

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.

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

Date: 13 July 2017

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Grant Thornton

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

We have audited the financial statements of The MDS Estates Limited for the year ended 31 October 2016, which comprise the consolidated Income statement, the consolidated Statement of comprehensive income, the consolidated and Company Statement of financial positions, the consolidated and Company Statements of changes in equity, the consolidated Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 October 2016 and of the Group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

GrantThornton

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Andrew Howie (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Glasgow
Date: 13 July 2017

Consolidated income statement

For the year ended 31 October 2016

	Note	2016 £000	2015 £000
Turnover	4	**29,986**	38,224
Cost of sales		**(19,286)**	(25,546)
Gross profit		**10,700**	12,678
Administrative expenses		**(15,409)**	(14,815)
Other operating income	5	**8,498**	7,299
Gain on revaluation of investment property		**20,141**	5,577
Other operating charges		**10**	(84)
Operating profit	6	**23,940**	10,655
Share of profit of joint ventures		**2,822**	3,135
Share of loss of associates		**(207)**	(317)
Total operating profit		**26,555**	13,473
Gain/(loss) on financial assets at fair value through profit and loss		**2,164**	(200)
Income from participating interests		**5**	8
Income from fixed asset investments	10	**125**	2,340
Loan write off		**(623)**	(1,944)
Interest receivable and similar income	11	**219**	144
Interest payable and similar charges	12	**(6,079)**	(6,469)
Other finance income	13	**(208)**	(281)
Profit before tax on ordinary activities		**22,158**	7,071
Tax on profit on ordinary activities	14	**(798)**	(718)
Profit for the year		**21,360**	6,353
Profit for the year attributable to:			
Non-controlling interests		**107**	177
Owners of the parent		**21,253**	6,176
		21,360	6,353

The notes on pages 20 to 62 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 October 2016

	Note	2016 £000	2015 £000
Profit for the financial year		**21,360**	6,353
Other comprehensive income			
Currency translation differences		**1,465**	(738)
Remeasurement of net defined benefit liability		**(7,814)**	804
Movement on deferred tax relating to pension gains		**1,485**	(154)
Fair value movement on hedged items		**(2,572)**	(1,317)
Movement on deferred tax relating to hedging		**488**	307
Other comprehensive loss for the year		**(6,948)**	(1,098)
Total comprehensive income for the year		**14,412**	5,255
Total comprehensive income attributable to:			
Non-controlling interest		**107**	177
Owners of the parent Company		**14,305**	5,078
		14,412	5,255

Consolidated statement of financial position

As at 31 October 2016

	Note		2016 £000		2015 £000
Fixed assets					
Intangible assets	17		**(1,506)**		(2,597)
Tangible assets	18		**26,525**		19,530
Investments	19		**45,473**		43,763
Investment property	20		**193,564**		184,685
			264,056		245,381
Current assets					
Stocks	21	**31,647**		23,588	
Debtors: amounts falling due after more than one year	22	**4,436**		2,886	
Debtors: amounts falling due within one year	22	**11,146**		14,300	
Cash at bank and in hand	23	**6,967**		4,153	
		54,196		44,927	
Creditors: amounts falling due within one year	24	**(53,913)**		(30,346)	
Net current assets			**283**		14,581
Total assets less current liabilities			**264,339**		259,962
Creditors: amounts falling due after more than one year	25		**(106,387)**		(124,085)
Provisions for liabilities					
Deferred tax	30	**(4,433)**		(3,573)	
			(4,433)		(3,573)
Net assets excluding pension liability			**153,519**		132,304
Pension liability	35		**(12,809)**		(5,905)
Net assets			**140,710**		126,399

Consolidated statement of financial position (continued)

As at 31 October 2016

	Note	2016 £000	2015 £000
Capital and reserves			
Called up share capital	31	**320**	320
Revaluation reserve	32	**99,744**	84,723
Capital redemption reserve	32	**80**	80
Hedging reserve	32	**(3,151)**	(1,067)
Profit and loss account	32	**42,007**	40,638
Equity attributable to owners of the parent Company		**139,000**	124,694
Non-controlling interests		**1,710**	1,705
		140,710	126,399

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

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

Date: 13 July 2017

The notes on pages 20 to 62 form part of these financial statements.

The MDS Estates Limited
Registered number:09221483

Company statement of financial position

As at 31 October 2016

	Note		2016 £000		2015 £000
Fixed assets					
Tangible assets	18		**64**		-
Investments	19		**6,772**		445
			6,836		445
Current assets					
Debtors: amounts falling due within one year	22	**318**		-	
Cash at bank and in hand	23	**619**		-	
		937		-	
Creditors: amounts falling due within one year	24		**(7,321)**		(25)
Total assets less current liabilities			**452**		420
Creditors: amounts falling due after more than one year	25		**(100)**		(100)
Net assets			**352**		320
Capital and reserves					
Called up share capital	31		**320**		320
Profit and loss account	32		**32**		-
			352		320

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

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

Date: 13 July 2017

Consolidated statement of changes in equity

For the year ended 31 October 2016

	Called up share capital	Capital redemption reserve	Revaluation reserve	Hedging reserve	Profit and loss account	Equity attributable to owners of parent company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2015	320	80	84,723	(1,067)	40,638	124,694	1,705	126,399
Profit for the year	-	-	-	-	21,253	21,253	107	21,360
Currency translation differences	-	-	-	-	1,465	1,465	-	1,465
Actuarial losses on pension scheme	-	-	-	-	(7,814)	(7,814)	-	(7,814)
Deferred tax movements in respect of hedging	-	-	-	488	-	488	-	488
Deferred tax movements	-	-	-	-	1,485	1,485	-	1,485
Fair value movement on cash flow hedge	-	-	-	(2,572)	-	(2,572)	-	(2,572)
Other comprehensive income for the year	-	-	-	(2,084)	(4,864)	(6,948)	-	(6,948)
Total comprehensive income for the year	-	-	-	(2,084)	16,389	14,305	107	14,412
Dividends	-	-	-	-	1	1	-	1
Transfer to/from profit and loss account	-	-	(2,952)	-	(15,021)	(17,973)	-	(17,973)
Surplus on revaluation of investment property and associated deferred tax	-	-	17,973	-	-	17,973	-	17,973
Dividend paid	-	-	-	-	-	-	(71)	(71)
Reflected through joint venture	-	-	-	-	-	-	(31)	(31)
Total transactions with owners	-	-	15,021	-	(15,020)	1	(102)	(101)
At 31 October 2016	320	80	99,744	(3,151)	42,007	139,000	1,710	140,710

The notes on pages 20 to 62 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 October 2015

	Called up share capital	Capital redemption reserve	Revaluation reserve	Hedging reserve	Special reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2014	320	80	76,444	-	5,549	38,235	120,628	1,614	122,242
Profit for the year	-	-	-	-	-	6,176	6,176	177	6,353
Currency translation differences	-	-	-	-	-	(738)	(738)	-	(738)
Actuarial gains on pension scheme	-	-	-	-	-	804	804	-	804
Deferred tax movements in respect of hedging	-	-	-	250	-	-	250	-	250
Deferred tax movements	-	-	-	-	-	(96)	(96)	-	(96)
Fair value movement on cash flow hedge	-	-	-	(1,317)	-	-	(1,317)	-	(1,317)
Other comprehensive income for the year	-	-	-	(1,067)	-	(30)	(1,097)	-	(1,097)
Dividends: Equity capital	-	-	-	-	-	(1,013)	(1,013)	-	(1,013)
Transfer between reserves	-	-	2,461	-	(5,549)	(2,730)	(5,818)	-	(5,818)
Surplus on revaluation of investment property and associated deferred tax	-	-	5,818	-	-	-	5,818	-	5,818
Dividend paid	-	-	-	-	-	-	-	(70)	(70)
Reflected through joint venture	-	-	-	-	-	-	-	(16)	(16)
Total transactions with owners	-	-	8,279	-	(5,549)	(3,743)	(1,013)	(86)	(1,099)
At 31 October 2015	320	80	84,723	(1,067)	-	40,638	124,694	1,705	126,399

The notes on pages 20 to 62 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 October 2016

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 November 2014	-	-	-
Contributions by and distributions to owners			
Shares issued during the year	320	-	320
Total transactions with owners	320	-	320
At 1 November 2015	320	-	320
Comprehensive income for the year			
Profit for the year	-	32	32
Total comprehensive income for the year	-	32	32
At 31 October 2016	320	32	352

Consolidated statement of cash flows

For the year ended 31 October 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit for the financial year	**21,360**	6,353
Adjustments for:		
Amortisation of intangible assets	**(418)**	(717)
Depreciation of tangible assets	**2,616**	1,279
Impairments of investments	**623**	1,944
Profit on disposal of tangible assets	**(8,404)**	(6,290)
Interest paid	**6,079**	6,469
Interest received	**(219)**	(144)
Taxation	**798**	636
(Increase)/decrease in stocks	**(3,031)**	3,309
Decrease/(increase) in debtors	**3,406**	(1,490)
(Decrease)/increase in creditors	**(8)**	2,112
Increase in net pension liabilities	**(1,118)**	(1,176)
Net fair value gains recognised in P&L	**(22,305)**	(5,377)
Share of operating profit in joint ventures	**(2,822)**	(3,135)
Share of operating loss in associates	**207**	317
Profit on disposal of investments	**(94)**	(1,009)
Income from investments	**(125)**	(2,340)
Income from participating interests	**(5)**	(8)
Foreign exchange	**(10)**	84
Net cash generated from operating activities	**(3,470)**	817

Consolidated statement of cash flows (continued)

For the year ended 31 October 2016

	2016 £000	2015 £000
Cash flows from investing activities		
Purchase of intangible fixed assets	**(673)**	-
Purchase of tangible fixed assets	**(19,308)**	(11,946)
Sale of tangible fixed assets	**24,235**	18,363
Sale of development properties	-	3,910
Purchase of unlisted and other investments	**(2,075)**	(655)
Sale of unlisted and other investments	**2,554**	2,736
Investment in joint ventures	**(3,138)**	(5,090)
Interest received	**219**	145
Income from investments	**211**	2,315
Dividends received	**4,294**	3,136
Income from investments in related companies	-	8
Return of equity from investments	**2,079**	4,223
Net cash from investing activities	**8,398**	17,145
Cash flows from financing activities		
New secured loans	**14,327**	33,311
Repayment of loans	**(12,810)**	(32,759)
Other new loans	**2,604**	800
Repayment of other loans	-	(3,888)
Repayment of finance leases	**(85)**	(169)
Dividends paid	-	(1,013)
Interest paid	**(6,057)**	(6,459)
Dividends paid to non controlling interests	**(71)**	(72)
Preference dividends paid	**(22)**	(21)
Net cash used in financing activities	**(2,114)**	(10,270)
Net increase in cash and cash equivalents	**2,814**	7,692
Cash and cash equivalents at beginning of year	**4,153**	(3,539)
Cash and cash equivalents at the end of year	**6,967**	4,153
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**6,967**	4,153
	6,967	4,153

Notes to the financial statements
For the year ended 31 October 2016

1. General information

The MDS Estates Limited is a private limited liability company incorporated in the UK.

The Registered Office is Estate Office, Weekley, Kettering, Northamptonshire, NN16 9UP.

The principal activity of the Group continued to be that of Estate Ownership, management of agricultural and forestry land, commercial and residential property management and Farming. The MDS Estates Limited is the ultimate parent holding company for The Buccleuch Estates Limited and Buccleuch Holdings Limited and their subsidiaries.

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.

Information on the impact of first-time adoption of FRS 102 is given in note 40.

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

The financial statements are presented in Sterling (£).

Going concern
The directors have assessed that the Group has adequate resources to meet the on-going costs of the business for a minimum of 12 months from the date of signing the financial statements. This assessment is based on detailed projections and cash flow forecasts prepared by the directors, which show that debts will be able to be paid as they fall due. The directors do not expect this position to change for a minimum of 12 months from the date of signing of the financial statements. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 November 2014.

Notes to the financial statements

For the year ended 31 October 2016

2. Accounting policies (continued)

2.3 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated income statement includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated statement of financial position, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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:

Rental Income
Rental income excluding VAT arising on investment properties is accounted for in the Statement of Comprehensive Income 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income 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.

Development Property
It is the policy of the Group to recognise turnover on the sale of development properties on the irrevocable exchange of terms between the seller and the purchaser.

Woodlands
Turnover on timber deliveries is recognised on delivery to the weighbridge and turnover on other timber related products is recognised on delivery to the customer.

Notes to the financial statements
For the year ended 31 October 2016

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated income statement over its useful economic life.

Other 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:

Heritable property	- 50 years
Capital improvements	- 25 years
Leasehold improvements	- the life of the lease
Plant and machinery	- 5 years
Fixtures and fittings	- 5 years
IT equipment	- 3 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 the Consolidated income statement.

Notes to the financial statements
For the year ended 31 October 2016

2. Accounting policies (continued)

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.

2.8 Investment property

Investment property is carried at fair value determined annually by internal valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of comprehensive income.

2.9 Valuation of investments

Investments in subsidiaries 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 Group shares, whose market 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 the Consolidated income statement 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.

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.

Notes to the financial statements

For the year ended 31 October 2016

2. Accounting policies (continued)

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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Notes to the financial statements
For the year ended 31 October 2016

2. *Accounting policies (continued)*

2.13 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

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

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

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 Consolidated income statement 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 the Consolidated income statement.

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, which is an approximation of the amount that the Group 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.

Notes to the financial statements
For the year ended 31 October 2016

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not 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.

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 Group uses variable to fixed interest rate swaps to manage its exposure to fair value risk on its bank loans. These derivatives are measured at fair value at each balance sheet 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.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

2.16 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated income statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated income statement in the same period as the related expenditure.

Notes to the financial statements
For the year ended 31 October 2016

2. Accounting policies (continued)

2.17 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 Consolidated income statement 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 Consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated income statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.18 Finance costs

Finance costs are charged to the Consolidated income statement 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.

2.19 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.

Notes to the financial statements
For the year ended 31 October 2016

2. Accounting policies (continued)

2.20 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated income statement 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 2016

2. Accounting policies (continued)

2.21 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group 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 Group'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'.

2.22 Interest income

Interest income is recognised in the Consolidated income statement using the effective interest method.

Notes to the financial statements
For the year ended 31 October 2016

2. Accounting policies (continued)

2.23 Borrowing costs

All borrowing costs are recognised in the Consolidated income statement in the year in which they are incurred.

2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Consolidated income statement in the year that the Group 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.

2.25 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated income statement, 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 and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 2016

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 based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Pension

The Group operates a multi employer defined benefit pension scheme. It has recognised a liability for this in the accounts to the sum of £(12,809,000), (2015: £(5,905,000)). 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 35 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 estimatation 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 profit will be available against which the losses. 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

Investment properties are shown at fair value. The key assumptions and areas of judgement in relation to these valuations are net rental income, being rent after an allowance for landlord's costs and investment yield on similar classes of properties. This is considered to be the most appropriate basis as the Company has have a portfolio of investment properties of varying size and descriptions which are subject to various lease terms and there is a lack of comparable market data. The determined fair value of the investment property is most sensitive to the estimated yield for each lease type in addition to, long term vacancy rate, annual expenditure levels and rental growth. The net rental income is assumed to be in perpetuity unless there are plans to dispose of or change the use of a property.

Long Term Incentive Plan Scheme

An accrual has been included in the accounts for the LTIP award. All projects in the scheme (which are forecast to be profitable) have been accrued for on a percentage completion basis. Forecast IRR are prepared by management using a number of underlying assumptions, such estimates are subject to significant uncertainty.

Notes to the financial statements
For the year ended 31 October 2016

4. Turnover

An analysis of turnover by class of business is as follows:

	2016	2015
	£000	£000
Commercial property	**5,791**	15,715
Estate activities	**10,514**	9,864
Woodlands	**6,295**	6,912
Other	**2,020**	1,319
Farming	**5,366**	4,414
	29,986	38,224

All turnover arose within the United Kingdom.

5. Other operating income

	2016	2015
	£000	£000
Profit on disposal of tangible assets	**8,404**	6,290
Profit on disposal of fixed asset investments	**94**	1,009
	8,498	7,299

Notes to the financial statements

For the year ended 31 October 2016

6. Operating profit

The operating profit is stated after charging/(crediting):

	2016 £000	2015 £000
Charitable donations	**91**	204
Political donations	**3**	6
Amortisation of intangible assets	**22**	55
Amortisation of goodwill	**(440)**	(772)
Government grants of a revenue nature - Farming	**(1,409)**	(1,771)
Government grants of a revenue nature - Woodlands	**(327)**	(151)
Government grants of a revenue nature - Other	**-**	(56)
Other rentals - Plant and machinery	**14**	14
Other rentals - Land and buildings	**12**	12
Defined contribution pension cost	**702**	942
Defined benefit pension cost	**299**	339
Depreciation - owned	**2,535**	1,126
Depreciation - assets under HP	**81**	153

7. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**176**	213
Fees payable to the Group's auditor and its associates in respect of:		
Other services	**11**	11

Notes to the financial statements
For the year ended 31 October 2016

8. Employees

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

	2016 £000	2015 £000
Wages and salaries	**11,804**	11,680
Social security costs	**1,294**	1,132
Cost of defined benefit scheme	**1,118**	1,176
Cost of defined contribution scheme	**702**	942
	14,918	14,930

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

	2016 No.	2015 No.
Full time employees	**249**	262
Part time employees	**137**	91
	386	353

9. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	**2,320**	1,844
Company contributions to defined contribution pension schemes	**40**	163
	2,360	2,007

During the year retirement benefits were accruing to 1 director (2015 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £746,000 (2015 - £665,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015 - £1,000).

10. Income from investments

	2016 £000	2015 £000
Income from fixed asset investments	**125**	2,340

Notes to the financial statements

For the year ended 31 October 2016

11. Interest receivable

	2016 £000	2015 £000
Share of associates' interest receivable	**3**	-
Other interest receivable	**216**	144
	219	144

12. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	**5,267**	5,913
Loans from related parties	**216**	-
Share of joint ventures	**572**	535
Preference share dividends	**22**	21
Finance leases and hire purchase contracts	**2**	-
	6,079	6,469

13. Other finance costs

	2016 £000	2015 £000
Net interest on net defined benefit liability	**208**	281
	208	281

Notes to the financial statements

For the year ended 31 October 2016

14. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	**-**	150
Enveloped dwellings tax	**8**	7
Adjustments in respect of previous periods	**(429)**	-
Share of tax of joint ventures	**45**	318
Foreign tax on joint venture income for the year	**143**	-
	143	-
Total current tax	**(233)**	475
Deferred tax		
Origination and reversal of timing differences	**1,031**	243
Total deferred tax	**1,031**	243
Taxation on profit on ordinary activities	**798**	718

Notes to the financial statements
For the year ended 31 October 2016

14. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.41%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	**22,158**	7,071
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.41%)	**4,432**	1,443
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,474**	3,216
Fixed asset timing differences	**(222)**	(820)
Higher rate taxes on overseas earnings	**82**	55
Adjustments to tax charge in respect of prior periods	**(429)**	(590)
Non-taxable income	**(4,266)**	(2,586)
Annual tax on eveloped dwellings	**7**	7
Income tax payable	**-**	63
Rate differences	**(54)**	(35)
Deferred tax not recognised	**(226)**	(35)
Total tax charge for the year	**798**	718

Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

15. Dividends

	2016 £000	2015 £000
Dividends paid	**(1)**	1,013
Preference dividends paid	**22**	21
	21	1,034

Notes to the financial statements

For the year ended 31 October 2016

16. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income statement in these financial statements. The profit after tax of the parent Company for the year was £32,000 (2015 - £NIL).

17. Intangible assets

Group and Company

	Farming Quotas £000	Other £000	Negative Goodwill £000	Total £000
Cost				
At 1 November 2015	1,439	12	(4,003)	(2,552)
Additions	-	673	-	673
At 31 October 2016	1,439	685	(4,003)	(1,879)
Amortisation				
At 1 November 2015	1,414	12	(1,381)	45
Charge for the year	22	-	(440)	(418)
At 31 October 2016	1,436	12	(1,821)	(373)
Net book value				
At 31 October 2016	3	673	(2,182)	(1,506)
At 31 October 2015	25	-	(2,622)	(2,597)

Notes to the financial statements

For the year ended 31 October 2016

18. Tangible fixed assets

Group

	Heritable Property and Improvem--ents £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 November 2015	19,604	8,834	989	29,427
Additions	7,127	2,622	285	10,034
Disposals	(366)	(447)	-	(813)
Transfers between classes	(45)	113	(68)	-
At 31 October 2016	26,320	11,122	1,206	38,648
Depreciation				
At 1 November 2015	3,079	6,043	775	9,897
Charge for the period on owned assets	393	2,161	62	2,616
Disposals	-	(390)	-	(390)
Transfers between classes	-	54	(54)	-
At 31 October 2016	3,472	7,868	783	12,123
Net book value				
At 31 October 2016	22,848	3,254	423	26,525
At 31 October 2015	16,525	2,791	214	19,530

The net book value of land and buildings may be further analysed as follows:

	2016 £000	2015 £000
Freehold	22,848	16,525

Notes to the financial statements

For the year ended 31 October 2016

18. Tangible fixed assets (continued)

Company

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
Additions	81	-	81
Transfers intra group	333	51	384
Disposals	(61)	-	(61)
At 31 October 2016	353	51	404
Depreciation			
Charge for the period on owned assets	59	2	61
Transfers intra group	251	47	298
Disposals	(19)	-	(19)
At 31 October 2016	291	49	340
Net book value			
At 31 October 2016	62	2	64
At 31 October 2015	-	-	-

19. Fixed asset investments

Group

	Investments in associates £000	Listed investments £000	Unlisted investments £000	Investment in joint ventures £000	Loans to joint ventures £000	Total £000
Cost or valuation						
At 1 November 2015	6,245	7,514	8,299	11,629	10,076	43,763
Additions	-	-	2,081	-	3,026	5,107
Disposals	-	(2,000)	(863)	-	(1,342)	(4,205)
Foreign exchange movement	-	-	-	1,458	-	1,458
Revaluations	-	1,123	373	-	-	1,496
Amounts written off	(102)	-	144	-	(543)	(501)
Share of JV tax	-	-	-	250	-	250
Distribution	(1,900)	-	-	(2,394)	-	(4,294)
Share of profit/(loss)	(209)	-	-	2,608	-	2,399
At 31 October 2016	4,034	6,637	10,034	13,551	11,217	45,473
Net book value						
At 31 October 2016	4,034	6,637	10,034	13,551	11,217	45,473
At 31 October 2015	6,245	7,514	8,299	11,629	10,076	43,763

Notes to the financial statements
For the year ended 31 October 2016

19. Fixed asset investments (continued)

Subsidiary Undertakings, Joint Ventures and Associates

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Subsidiaries				
The Buccleuch Estates Ltd	Scotland	Ordinary	100 %	Estate Ownership
Buccleuch Holdings Ltd	England	Ordinary	100 %	Holding Company
Tarras Park Properties (North) Ltd	Scotland	Ordinary	100 %	Property Investment & Development
Buccleuch Properties Ltd	England	Ordinary	100 %	Property Investment & Development
Tarras Park Properties Ltd	England	Ordinary	100 %	Property Investment & Development
Buccleuch Property (Shawfair) Ltd	England	Ordinary	100 %	Property Development
Buccleuch Property (Newcastle 55) Ltd	England	Ordinary	100 %	Property Investment
Buccleuch Property (Kettering) Ltd	England	Ordinary	100 %	Property Development
Buccleuch Property (Tyne Tees) Ltd	England	Ordinary	100 %	Property Development
Shawfair Park Management Ltd	Scotland	Ordinary	100 %	Property Management
Cheviot Investments Ltd	Scotland	Ordinary	100 %	Property Investment
Buccleuch Property Investment Managers Ltd	England	Ordinary	100 %	Property Management
Bemco Developments Ltd	Scotland	Ordinary	100 %	Property Development
Buccleuch Property (SQA) Ltd	Scotland	Ordinary	100 %	Property Investment
Buccleuch Property (Sheriffhall South) Ltd	Scotland	Ordinary	91 %	Property Development
Tarras Park Properties (Germany) Ltd	Scotland	Ordinary	100 %	Holding Company
Tarras Park Properties (Campden Hill) Ltd	England	Ordinary	100 %	Holding Company
Dabton Investments Ltd	England	Ordinary	100 %	Holding Company
Pentland Ltd	Grand Cayman	Ordinary	100 %	Property Development
Salters Land Ltd	Grand Cayman	Ordinary	100 %	Property Development
Seagrove Holdings Ltd	England	Ordinary	100 %	Holding Company
Bearworth Investments Inc.	USA	Ordinary	100 %	Holding Company
Queensberry Properties (Bonnington) Ltd	Scotland	Ordinary	100 %	Development
The Boughton Estates Ltd	England	Ordinary	100 %	Estate Ownership
Restoration Yard Ltd	Scotland	Ordinary	100 %	Trading

Notes to the financial statements

For the year ended 31 October 2016

19. Fixed asset investments (continued)

Buccleuch Rural Solutions Ltd	Scotland	Ordinary	100 %	Property Consultancy
Buccleuch Recreational Enterprises Ltd	England	Ordinary	100 %	Visitor Services
Buccleuch Woodlands Enterprises Ltd	Scotland	Ordinary	100 %	Woodland Ownership & Management
Buccleuch Woodlands Ltd	Scotland	Ordinary	100 %	Woodland Ownership & Management
Buccleuch Woodlands South Ltd	England	Ordinary	100 %	Woodland Ownership & Management
Buccleuch Property (Newtown St Boswells) Ltd	Scotland	Ordinary	94.92 %	Property Development
Scotaus (Holdings) Proprietary Ltd	Australia	Ordinary	100 %	Investment
Alba Trees plc	Scotland	Ordinary	60.28 %	Production of Cell Grown Plants
BQ Farms Ltd	Scotland	Ordinary	100 %	Farming
BQ Farming Partnerships Ltd	Scotland	Ordinary	100 %	Farming
Eckford Farming Ltd	Scotland	Ordinary	100 %	Farming
BQ Farms (South) Ltd	Scotland	Ordinary	100 %	Farming
Langholm Farms Ltd	Scotland	Ordinary	100 %	Farming
Granton Assets Ltd	Scotland	Ordinary	80 %	Investments in farming
Hopsrig Wind Farm Ltd	Scotland	Ordinary	100 %	Trading
Newton Wind Ltd	England	Ordinary	100 %	Trading
Furness Minerals Ltd	England	Ordinary	100 %	Trading
Furness Fisheries Ltd	England	Ordinary	100 %	Trading
Glenmuckloch Restoration Ltd	England	Ordinary	100 %	Trading
Glenmuckloch Minerals Ltd	England	Ordinary	100 %	Trading
Glenmuckloch Renewable Energy Ltd	Scotland	Ordinary	100 %	Trading
Joint Ventures				
Clan Real Estate Ltd	England	Ordinary	50 %	Trading
Ledge 853 Ltd	Scotland	Ordinary	50 %	Investment
York Investors LLP	Scotland	Partnership	50 %	Property Development
Buccleuch Grant Ltd	Scotland	Ordinary	50 %	Property Investment
The Ely Cloisters Estate Ltd	England	Ordinary	50 %	Property Investment
Alonely SA	Luxembourg	Ordinary	50 %	Holding Company
Buccleuch Germany GmbH	Germany	Ordinary	50 %	Holding Company
Buccleuch Schwabach GmbH	Germany	Ordinary	47.7 %	Investment
Buccleuch Property (Germany) Ltd	England	Ordinary	50 %	Holding Company
Hanwood Park LLP	England	Ordinary	50 %	Property Development
Buccleuch Property (Intercity) Ltd	England	Ordinary	50 %	Property Development

Notes to the financial statements

For the year ended 31 October 2016

19. Fixed asset investments (continued)

Longrose Buccleuch Management Ltd	England	Ordinary	50 %	Trading
Buccleuch ASP LLP	Scotland	Partnership	50 %	Property Development
Queensberry Properties Ltd	Scotland	Ordinary	50 %	Property Development
Queensberry Properties (Peebles) Ltd	Scotland	Ordinary	50 %	Property Development
Queensberry Properties (Kinnear Road) Ltd	Scotland	Ordinary	50 %	Property Development
Kettering Land LLP	England	Partnership	25 %	Property Development
The Berwicks Company	Australia	Partnership	71 %	Farming
Buccleuch KFI (Ibrox) Ltd	Scotland	Ordinary	50 %	Investment
Buccmoor Limited Partnership	Scotland	Partnership	32.76 %	Development
Buccmoor General Partner Ltd	Scotland	Ordinary	25 %	Investment
Litton Buccleuch (Moore Street) Ltd	England	Ordinary	50 %	Development
Associates				
¬Clan Bankside LLP	England	Partnership	33.3 %	Property Development
¬Clan Montrose LLP	England	Partnership	50.1 %	Property Development
¬Clan Halkin Ltd	England	Ordinary	28.9 %	Property Development
¬Carronbridge Sawmills Ltd	Scotland	Ordinary	42.4 %	Trading
Other investments				
The Buccleuch and Grant Residential Unit Trust *~	Jersey	Unit Trust	99 %	Investment
Squarestone Investment Partners (Portugal) LLP	England	Partnership	8.6 %	Investment
NL (Pollen) Ltd	Jersey	Ordinary	28.5 %	Holding
Clan PavD LLP	England	Partnership	12.5 %	Holding
Clan (Alpha Place) LLP	England	Partnership	11.5 %	Holding
Cresta Court Hotel (Property) Ltd	England	Ordinary	5 %	Trading
NL Kilmuuir (Jersey) Limited	Jersey	Ordinary	20 %	Holding
Clan Bankside Quarter (UK) Ltd	England	Ordinary	10 %	Holding

¬In the opionion of the directors, the group, through its direct and indirect interests in the voting rights of these entities, exercises significant influence over these entities' operating and financial policies and therefore regards these as associate undertakings.

* In the opinion of the directors, the group does not exercise significant influence over these entities' operating and financial policies and therefore does not regard these entities as associates.

~ In the opinion of the directors, the group does not exercise dominant influence over these entities' operating and financial policies and therefore does not regard these entities as subsidiaries.

Notes to the financial statements
For the year ended 31 October 2016

19. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000	Loans to subsidiaries £000	Total £000
Cost or valuation			
At 1 November 2015	420	25	445
Additions	-	6,327	6,327
At 31 October 2016	420	6,352	6,772
Net book value			
At 31 October 2016	420	6,352	6,772
At 31 October 2015	420	25	445

Notes to the financial statements
For the year ended 31 October 2016

20. *Investment property*

Group

	Freehold investment property £000
Valuation	
At 1 November 2015	184,685
Additions at cost	9,275
Disposals	(15,509)
Surplus on revaluation	20,141
Transfer to stock	(5,028)
At 31 October 2016	**193,564**

Commercial properties within the group's investment portfolios were revalued to market value as at 31 October 2016 through a combination of DTZ Chartered Surveyors and the subsidiary company's directors, who are Members of the Royal Institution of Chartered Surveyors in accordance with the RICS Appraisal and Valuation Manual.

Rural properties held for letting within the group's investment portfolio were revalued to market value as at 31 October 2016 by one of the group's employees who is a Member of the Royal Institution of Chartered Surveyors in accordance with the RICS Appraisal and Valuation Manual.

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

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2016 £000	2015 £000
Historic cost	**86,361**	94,253

Notes to the financial statements

For the year ended 31 October 2016

21. Stocks

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Raw materials	**2,412**	2,315	**-**	-
Work in progress	**24,704**	16,811	**-**	-
Estate and farming	**4,531**	4,462	**-**	-
	31,647	23,588	**-**	-

22. Debtors

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due after more than one year				
Other debtors	**1,263**	1,515	**-**	-
Deferred tax asset	**3,173**	1,371	**-**	-
	4,436	2,886	**-**	-

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due within one year				
Trade debtors	**4,813**	9,027	**69**	-
Amounts owed by group undertakings	**-**	-	**25**	-
Other debtors	**4,714**	3,413	**162**	-
Prepayments and accrued income	**1,619**	1,860	**62**	-
	11,146	14,300	**318**	-

23. Cash and cash equivalents

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	**6,967**	4,153	**619**	-

Notes to the financial statements

For the year ended 31 October 2016

24. Creditors: Amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans	**22,628**	803	-	-
Related party loans	**578**	-	-	-
Trade creditors	**4,685**	4,446	**714**	-
Amounts owed to group undertakings	-	-	**105**	25
Loans from related parties	**11,484**	9,184	**5,300**	-
Corporation tax	**276**	1	-	-
Taxation and social security	**777**	195	**84**	-
Obligations under finance lease and hire purchase contracts	**77**	120	-	-
Other creditors	**2,537**	2,637	**200**	-
Accruals and deferred income	**10,871**	12,960	**918**	-
	53,913	30,346	**7,321**	25

Secured loans

Security for the bank and overdraft facilities extended to the group comprises fixed securities on certain properties and bonds and floating charges on certain assets of the group's subsidiary undertakings, together with cross guarantees given by certain companies. In addition, the holding company 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.

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

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans	**100,534**	119,828	-	-
Net obligations under finance leases and hire purchase contracts	**23**	70	-	-
Other creditors	**226**	237	-	-
Share capital treated as debt (subsidiaries)	**210**	210	-	-
Accruals and deferred income	**181**	475	-	-
Share capital treated as debt	**100**	100	**100**	100
Financial instruments (after 1 yr)	**5,113**	3,165	-	-
	106,387	124,085	**100**	100

Notes to the financial statements

For the year ended 31 October 2016

26. Loans

Maturity of bank loans and overdrafts:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Amounts falling due within one year				
Bank loans	22,628	803	-	-
Other loans	578	-	-	-
Amounts falling due 1-2 years				
Bank loans	1,058	10,395	-	-
Amounts falling due 2-5 years				
Bank loans	27,045	26,689	-	-
Amounts falling due after more than 5 years				
Bank loans	72,431	82,744	-	-
	123,740	120,631	-	-

27. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £000	Group 2015 £000
Within one year	76	120
Between 1-2 years	23	70
Between 2-5 years	-	-
	99	190

Notes to the financial statements

For the year ended 31 October 2016

28. Financial instruments

	Group 2016 £000	Group 2015 £000	Company 2016 £000
Financial assets			
Financial assets measured at fair value through profit or loss	**17,227**	12,453	**619**
Financial assets that are debt instruments measured at amortised cost	**10,761**	13,952	**215**
	27,988	26,405	**834**

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Financial liabilities				
Financial liabilities measured at amortised cost	**(153,704)**	(150,173)	**(7,351)**	(125)
Derivative financial instruments designated as hedges of variable interest rate risk	**(5,113)**	(3,165)	**-**	-
	(158,817)	(153,338)	**(7,351)**	(125)

29. Hedging

At year end, the fair value of the hedging instrument is recognised as a derivative liability for £4.1m (2015: £1.8m). The Group uses a variable fixed interest rate swap to manage its exposure to cash flow risk arising from floating rate liabilities, the bank loan, for the same amount, and a maturity of 15 years. The swap, with HSBC Bank plc, is 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 1st October 2027. For this cash flow hedge, the amounts recorded cumulatively in other comprehensive income and profit and loss (as ineffectiveness) have been £3,888,773 (2015: £1,316,608) and £218,387 (2015: £464,837), respectively, and the amounts reclassified from OCI, related to the settlements of the derivative, have been nil.

Notes to the financial statements

For the year ended 31 October 2016

30. Deferred taxation

Group

	2016 £000	2015 £000
At beginning of year	**(2,202)**	(2,113)
Charged to profit or loss	**(1,031)**	(243)
Charged to other comprehensive income	**1,973**	154
At end of year	**(1,260)**	(2,202)

The provision for deferred taxation is made up as follows:

	Group 2016 £000	Group 2015 £000
Revaluation of properties and investments	**(11,321)**	(9,038)
Tax losses carried forward	**8,383**	6,945
Pension surplus	**2,434**	1,122
Recognition of rolled over gains	**(1,358)**	(1,358)
Swaps and other financial instruments	**738**	249
Alba Trees plc deferred tax	**(136)**	(122)
	(1,260)	(2,202)
Comprising:		
Asset - due after one year	**3,173**	1,371
Liability	**(4,433)**	(3,573)
	(1,260)	(2,202)

Notes to the financial statements

For the year ended 31 October 2016

31. Share capital

	2016 £000	2015 £000
Shares classified as equity		
Allotted, called up and fully paid		
320,000 Ordinary shares of £1 each	**320**	320

	2016 £000	2015 £000
Shares classified as debt		
Allotted, called up and fully paid		
50,000 7% 1st Preference non-cumulative shares of £1 each	**50**	50
50,000 7% 2nd Preference non-cumulative shares of £1 each	**50**	50
	100	100

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

32. Reserves

Revaluation reserve

This reserve records the revaluation of investment property and the deferred tax thereon.

This is a non-distributable reserve.

Capital redemption reserve

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

Other reserves

Hedging reserve

This reserve records fair value movements on cash flow hedging instruments.

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 2016

33. Contingent liabilities

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

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

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

In 2007 a subsidiary company, The Buccleuch Estates Limited, entered into a Pension Funding Agreement with The Buccleuch Estates Limited Pension Trustee Company (the trustee). In support of its obligations The Buccleuch Estates Limited agreed to provide the trustee with contingent assets. Therefore, The Buccleuch Estates Limited procured that its subsidiary The Boughton Estates Limited granted a security and legal charge over certain residential properties on the Boughton Estate to a value of £7.352m. On the 22 March 2010 The Buccleuch Estates Limited 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.

34. Capital commitments

At 31 October 2016 the Group and Company had capital commitments as follows:

The Group has contracted to commit a further €nil (2015 - €292,000) of equity into Squarestone Investment Partners (Portugal) LLP and a further £634,000 (2015 - £1,841,000) into Clan Campden Developments LLP and a further £819,000 (2015 - £138,000) into Clan Bankside Quarter (UK) Limited as at 31 October 2016.

The Group has also entered into a joint and several guarantee for £1m equity committment into Edinburgh St. James Building Company Limited.

Notes to the financial statements
For the year ended 31 October 2016

35. 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 1 May 2015 and updated to 31 October 2016 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £7,735,000. The Company has agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years from 1 August 2016 by the payment of annual contributions of £1,109,400 in respect of the deficit. 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 24.4% 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% of pensionable pay for other employees.

Prior to these contributions coming into force, contributions in respect of the deficit were getting paid at the rate of £100,000 per month and employer contributions in respect of future accrual were paid at the rate of 21.4% of pensionable salaries. Member contributions were also payable at the rate of 8% of pensionable pay for Directors & Senior Staff and 4.5% 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 £29,352,000 (2015: £28,376,000) and the actuarial value of the assets was sufficient to cover 70% of the benefits that had accrued to members. The liability arising from the scheme amounts to £42,161,000 (2015: £34,641,000). The scheme deficit of £12,809,000 and a related deferred tax asset of £2,131,000 have been included in the Consolidated statements 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.

Reconciliation of present value of plan liabilities:

	2016	2015
	£000	£000
At the beginning of the year	**34,641**	33,934
Current service cost	**299**	339
Interest cost	**1,321**	1,336
Actuarial gains/losses	**7,733**	410
Contributions	**88**	99
Benefits paid	**(1,921)**	(1,477)
At the end of the year	**42,161**	34,641

Notes to the financial statements

For the year ended 31 October 2016

35. Pension commitments (continued)

	2016 £000	2015 £000
Reconciliation of present value of plan assets		
At the beginning of the year	**28,736**	26,330
Interest income	**1,113**	1,055
Actuarial gains/losses	**(81)**	1,214
Contributions	**1,505**	1,614
Benefits paid	**(1,921)**	(1,477)
At the end of the year	**29,352**	28,736

Composition of plan:

	2016 £000	2015 £000
Fair value of plan assets	**29,352**	28,736
Present value of plan liabilities	**(42,161)**	(34,641)
Net pension scheme liability	**(12,809)**	(5,905)

The amounts recognised in profit or loss are as follows:

	2016 £000	2015 £000
Current service cost	**299**	339
Interest on obligation	**208**	281
Deferred tax movements	**173**	170
Total	**680**	790

	2016 £000	2015 £000
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	**(81)**	1,214
Experience gains and losses arising on the scheme liabilities	**562**	(849)
Changes in assumptions underlying the present value of the scheme liabilities	**(8,295)**	439
	(7,814)	804

35. Pension commitments (continued)

Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	**2.8**	3.9
Future salary increases	**3.7**	3.4
Pension increases in payment (capped at 5% pa)	**3.7**	3.4
Pension increases in payment (capped at 2.5% pa)	**2.5**	2.5
Inflation (RPI)	**3.7**	3.4

The mortality assumptions adopted at 31 October 2016 imply the following life expectancies on retirement at age 65:

	2016	2015
Retiring today		
Male	**20.1**	**20.0**
Female	**23.8**	**23.7**
Retiring in 20 years		
Male	**21.9**	**21.8**
Female	**25.7**	**25.6**

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For the year ended 31 October 2016

35. Pension commitments (continued)

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

Defined benefit pension schemes

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Defined benefit obligation	**(42,161)**	(34,641)	(33,934)	(32,682)	(30,646)
Scheme assets	**29,352**	28,736	26,330	23,078	20,912
Deficit	**(12,809)**	(5,905)	(7,604)	(9,604)	(9,734)

The best estimate of contributions to be paid by the group to the scheme for the period commencing 1 November 2016 is £1,360,000.

	2016	2015
	£000	£000
Assets		
Bonds	**9,941**	9,770
Diversified growth	**19,245**	18,655
Cash	**166**	311
	29,352	28,736

36. Commitments under operating leases

At 31 October 2016 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000
Not later than 1 year	**10,250**
Later than 1 year and not later than 5 years	**41,000**
Later than 5 years	**-**
	51,250

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For the year ended 31 October 2016

37. Related party transactions

Related party transactions with 100% owned group undertakings are excluded from the consolidated financial statements and are therefore exempt from disclosure in these financial statements under the provisions of FRS 8 'Related Party Disclosures'. The following transactions with related parties were conducted under normal trading terms at arm's length:

Transactions with the 9th Duke of Buccleuch Business Property Trust included:

	2016 £000	2015 £000
Rental and other income	3	3
	3	3

During the period Buccleuch Woodlands Limited acted as agent for 9th Duke of Buccleuch Business Property Trust in the operation of its woodlands. The main beneficiary of the Trust is the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE, DL. During the period the turnover with this Trust was £169,854 (2015 -£366,545). Sales on behalf of the Trust were £558,340 (2015 - £662,731). At the year end there was an outstanding debtor of £24,462 (2015 - £94,234) and an outstanding creditor of £149,136 (2015- £nil).

During the period a total of £63,446 (2015 £108,401) in respect of various recharges of costs were levied to the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL. At the year end date the group was due £2,378 from the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL. At the year end date the group was due £72 to the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL.

Recharges made by a group company to Lord Damian Scott relate to sales and other recharges of £2,808, (2015 - £1,821). At the year end date Lord Damian Scott was due to the group £748.

Recharges paid to a group company by Lord John Scott amounted to £7,000 (2015 - £5,259). At the year end date Lord John Scott was due to the group £4,209.

During the period the group made a charitable donation to The Buccleuch Living Heritage Trust of £177,122 (2015 - £150,000). The group also entered into transactions with the Trust amounting to £598,361 (2015 – £640,545). At the year end The Buccleuch Living Heritage Trust was due to pay Buccleuch Recreational Enterprises Limited, a subsidiary company £NIL (2015: £31,827). At the year-end Boughton Estates Limited a subsidiary company was due to pay The Buccleuch Living Heritage Trust £47,255 (2015: £nil). At the year-end The Buccleuch Estates Limited a subsidiary company was due to pay The Buccleuch Living Heritage Trust £69,630 (2015: £33,929).

Immediate family members of individuals who have a beneficial interest in The MDS Estates Limited are owed £11,483,835 at 31 October 2016 (2015: £9,183,837).

Key Management Personnel
The Group directors have responsibility for planning, directing and controlling the activities of the Group and are considered to be Key Management Personnel. Total remuneration in respect of these individuals is £2,612,006 (2015: £2,433,990).

38. *Controlling party*

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

Notes to the financial statements

For the year ended 31 October 2016

39. Subsidiary undertakings not audited

The following companies within the group have not prepared audited accounts. In accordance with S400 of the Companies Act 2006, these companies are wholly owned subsidiaries of The MDS Estates Limited. The MDS Estates Limited guarantees all outstanding liabilities in these companies at the year ended 31 October 2016, until they are satisfied in full:

Name	Company number
Restoration Yard Ltd	SC531162
The Boughton Estates Ltd	00271595
Buccleuch Woodlands Ltd	SC078306
Buccleuch Woodlands Enterprises Ltd	SC280905
Buccleuch Rural Solutions Ltd	SC257360
Buccleuch Recreational Enterprises Ltd	01255185
Granton Assets Ltd	SC016758
Buccleuch Property (Newtown St Boswells) Ltd	SC341348
BQ Farms Ltd	SC062810
BQ Farming Partnerships Ltd	SC064025
BQ Farms (South) Ltd	SC291354
Eckford Farming Ltd	SC070296
Langholm Farms Ltd	SC291355
Glenmuckloch Minerals Ltd	08518434
Glenmuckloch Renewable Energy Ltd	SC474474
Glenmuckloch Restoration Ltd	08506886
Hopsrig Wind Farm Ltd	SC501771
Buccleuch Properties Ltd	04821797
Buccleuch Property (Tyne Tees) Ltd	05488351
Buccleuch Property (Shawfair) Ltd	05076778
Buccleuch Property (Newcastle 55) Ltd	05319127
Buccleuch Property (Kettering) Ltd	05202584
Buccleuch Property (Sheriffhall South) Ltd	SC327090
Dabton Investments Ltd	06893805
Pentland Ltd	Cayman registered
Tarras Park Properties (Germany) Ltd	SC309915
Tarras Park Properties (Campden Hill) Ltd	08587790
Buccleuch Property Development Scotland (formerly Andstrat (No 403) Ltd)	SC502742
Shawfair Park Management Ltd	SC336517

Notes to the financial statements
For the year ended 31 October 2016

40. First time adoption of FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 November 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 November 2014

	Note	Group £000
Equity at 1 November 2014 under previous UK GAAP		122,560
Listed investments at market value	1,2,3	3,453
Adjustment to pension scheme provision	7	(1,521)
Effective interest rate	4	(307)
Fair value of hedging instrument	5	(1,968)
Fair value of joint interests	1,2,3	1,143
Holiday pay accrual	8	(117)
Deferred tax asset on pension liability	7	1,445
FX on translation		480
Minority interest	6	6
Deferred tax movement on joint ventures	1,2,3	150
Deferred tax on revaluation of properties and investments	9	(8,887)
Deferred tax on recognition of rolled over gains	9	(1,429)
Deferred tax on losses	9	6,896
Deferred tax on financial instruments	9	(57)
Reversal of deferred tax asset	9	(1,219)
Equity shareholders funds at 1 November 2014 under FRS 102		120,628

Notes to the financial statements
For the year ended 31 October 2016

40. First time adoption of FRS 102 (continued)

Reconciliation of equity at 31 October 2015

	Note	Group £000	Company £000
Equity at 31 October 2015 under previous UK GAAP		128,124	320
Listed investments at market value	1,2,3	3,553	-
Adjustment to pension scheme provision	7	(1,181)	-
Effective interest rate	4	(346)	-
Fair value of hedging instrument	5	(3,165)	-
Fair value of joint ventures	1,2,3	943	-
Holiday pay accrual	8	(117)	-
Deferred tax asset on pension liability	7	1,122	-
Minority interest	6	6	-
Deferred tax movement on joint ventures	1,2,3	169	-
Deferred tax on revaluation of properties and investments	9	(9,032)	-
Deferred tax on recognition of rolled over gains	9	(1,358)	-
Deferred tax on losses	9	6,945	-
Deferred tax on swaps and financial instruments	9	250	-
Reversal of deferred tax asset	9	(1,219)	-
Equity shareholders funds at 31 October 2015 under FRS 102		124,694	320

Reconciliation of profit and loss account for the year ended 31 October 2015

		Group £000
Profit for the year under UK GAAP		200
Fair value movement on investments	1,2,3	6,040
Fair value movement on financial instruments	5	84
Effective interest rate adjustments	4	(39)
Interest on defined benefit pension scheme	7	(283)
Share of joint venture movement on derivatives	1,2,3	104
Minority interest shown seperately	6	177
Deferred tax adjustment on fair value movements	1,2,3	(35)
Deferred tax adjustment on defined benefit pension scheme	7	77
Deferred tax movement on joint ventures	9	28
Profit for the year ended 31 October 2015 under FRS 102		6,353

Notes to the financial statements
For the year ended 31 October 2016

40. First time adoption of FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

1 The group now reflects unrealised movements in the valuations of its investment properties through the face of the statement of total comprehensive income rather than directly to an unrealised balance sheet reserve account.

2 The group now fair values its investments in shares (excluding investments in subsidiaries, joint ventures and associates), with any upwards or downwards movement being reflected through statement of total comprehensive income.

3 As a result of 2 above, dividend income and gains on disposal of investments have been reclassified as returns of equity to the extent that the prior year investment carrying value has been increased as a result of its fair value being higher than cost.

4 Bank arrangement fees are netted off against the loan principal and amortised over the duration of the facility.

5 Effective fair value movements on financial instruments

6 Minority interest shown seperately

7 Defined benefit pension scheme valued under FRS 102

8 An accrual has been recognised for holiday pay accrued by employees during the period but not yet paid

9 Under FRS 102 a deferred tax liability or asset is recognised in relation to unrealised gains or losses on properties, investments in associates/joint ventures and rolled over gains, unlike under the previous accounting framework. A deferred tax asset has been recognised on tax losses to the extent they are available to offset against future capital gains. This impacts the opening reserves on transition, and any movements in the deferred tax liability or asset are taken to profit or loss.