

Financial Statements

The MDS Estates Limited

For the year ended 31 October 2020

ULTIMATE PAPER CO

SUNFAIR PARK MANAGEMENT LTD

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PAGE 72



Registered number: 09221483

The MDS Estates Limited

Company Information

Directors

Bernard Higgins
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL
The Duchess of Buccleuch and Queensberry
The Earl of Dalkeith
Lady Elizabeth Dalkeith
Lord Damian Scott
Lord John Scott
J M P Galbraith

Company secretary

J S Alexander

Registered number

09221483

Registered office

Buccleuch Property Estate Office
Weekley Kettering
Northamptonshire
NN16 9UP

Independent auditor

Grant Thornton UK LLP
Level 8
Chartered Accountants & Statutory Auditor
110 Queen Street
Glasgow
G1 3BX

Bankers

Royal Bank of Scotland
36 St Andrew Square
EDINBURGH
EH2 2AD

HSBC Bank plc
13 Parliament Street
YORK
YO1 8RS

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Group strategic report

For the year ended 31 October 2020

Business review

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

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

Overall, within the financial statements, Buccleuch has reported a profit after tax of £64m. This does not arise from operational activities, but primarily reflects an accounting requirement to revalue our investment property assets on an annual basis. For the first time, external advisers were asked to value our rural property investment assets, a task which had previously been undertaken internally. A change in methodology applied by the external advisers in their approach to the valuation exercise resulted in a significant uplift being recorded for the year. Without this revaluation uplift, the business made an overall loss before tax of £5m. Within this timeframe, however, there has also been significant debt reduction, and investment in projects across the estates.

Like many businesses in the rural sector, our tourism and leisure attractions were seriously affected by the Covid-19 pandemic, and at Restoration Yard in Dalkeith Country Park, where our colleagues operate a significant retail and hospitality business, trading was either non-existent or heavily impacted by the pandemic. There was also a noticeable drop in receipts for Buccleuch Property, where commercial tenants requested rent holidays to protect their businesses, construction was halted for a period and sales slowed, and our sporting operation, where the season ended three months early. All of which can be directly attributed to the effects of the Covid-19 pandemic.

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

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

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

Group strategic report

For the year ended 31 October 2020

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

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

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

Key Performance Indicators

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

	2020 £000	2019 £000
Turnover	48,667	66,285
Gross profit	16,731	20,510
Overheads	(23,543)	(21,333)
Net assets	268,141	206,812
Proceeds generated from property disposals excluding development property	17,279	40,408
Debt levels	<u>(79,038)</u>	<u>(87,353)</u>

As assets are sold the sale proceeds are used in part to repay debt, bringing it down to a more manageable level and also invest in the wider business. In December 2019 part of the Group's debt was refinanced. The Group now has a £70m Revolving Credit Facility available, of which £10m is multi-currency. This matures on 10 December 2024.

Group strategic report

For the year ended 31 October 2020

Policies

GDPR

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

Anti-slavery and human trafficking policy

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

Disabled employees

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

Principal business risks and uncertainties

Political risk

As with all businesses and industries within the United Kingdom, Brexit continues to cast a shadow of uncertainty, with wide-reaching impact. It is hoped that greater clarity can be achieved allowing surer planning for the future.

Asset management risk

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

Financial risk management

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

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

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

The MDS Estates Limited

Note of thanks

Lastly, none of the business' various achievements would have been possible without the effort of my colleagues within Buccleuch. The resilience and dedication shown by all in the last difficult year has been remarkable, and I wish to take this opportunity to thank each of them for their continued commitment and support.

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

A handwritten signature in black ink, appearing to read 'Bernard Higgins', written in a cursive style.

Bernard Higgins
Director

Date: 25 June 2021

Directors' report

For the year ended 31 October 2020

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

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, hospitality and energy projects. The MDS Estates Ltd is the ultimate parent holding company for The Buccleuch Estates Ltd and Buccleuch Holdings Ltd and their subsidiaries.

Directors' insurance and indemnities

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

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £64,253m (2019 - £45,317m). During the year a dividend of £1,000,000 (2019 - £2,000,000) was paid.

Directors' report (continued)

For the year ended 31 October 2020

Directors

The directors who served during the year were:

Bernard Higgins

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

The Duchess of Buccleuch and Queensberry

The Earl of Dalkeith

Lord Damian Scott

Lord John Scott

J M P Galbraith

Financial instruments

Details of the financial instruments are provided in the notes to the financial statements at note 2.14 and note 28.

Employee involvement

The average monthly number employed during the year was 292 full time employees (2019: 257) and 143 part time employees (2019: 162). 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.

Financial risk management

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

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

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

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'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's auditor is aware of that information.

The MDS Estates Limited

Directors' report (continued)

For the year ended 31 October 2020

Post Year End Events

The directors do not consider that there were any significant post balance sheet events that would result in an impairment of the assets on the company's balance sheet.

Auditor

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

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



Bernard Higgins

Director

Date: 25 June 2021



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

Opinion

We have audited the financial statements of The MDS Estates Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2020, which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Company statement of financial position, Consolidated and Company statement of changes of equity, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2020 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.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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



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

Conclusions relating to going concern

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

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

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

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

Other information

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

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

We have nothing to report in this regard.



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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

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

28 June 2021

Consolidated income statement

For the year ended 31 October 2020

	Note	2020 £000	2019 £000
Turnover (including share of joint ventures)		53,932	70,538
Less: share of joint ventures		(5,265)	(4,253)
Group turnover	4	48,667	66,285
Cost of sales		(31,936)	(45,775)
Gross profit		16,731	20,510
Administrative expenses		(23,543)	(21,333)
Other operating income	5	6,309	43,679
Gain on revaluations		88,663	7,625
Foreign exchange movements		(2)	36
Group operating profit	6	88,158	50,517
Share of joint ventures' operating (loss) / profit		(176)	365
Share of associates' operating (loss) / profit		-	4
Total operating profit of the group, joint ventures and associates		87,982	50,886
(Loss) on financial assets at fair value through profit and loss		(2,358)	(1,811)
Permanent impairment of investments		(481)	(50)
Income from participating interests		19	27
Income from other fixed asset investments	10	733	1,073
Interest receivable and similar income	11	11	15
Interest payable and similar charges	12	(2,260)	(3,162)
Other finance charges	13	(207)	(277)
Profit on ordinary activities before taxation		83,439	46,701
Taxation	14	(18,669)	(1,082)
Profit on ordinary activities after taxation		64,770	45,619
Equity minority interests		(517)	(302)
Profit for the financial year		64,253	45,317
Profit for year attributable to:			
Non-controlling interest		517	302
Owners of the parent		64,253	45,317
		64,770	45,619

The notes on pages 27 to 72 form part of these financial statements.

The MDS Estates Limited

Consolidated statement of comprehensive income

For the year ended 31 October 2020

	Note	2020 £000	2019 £000
Profit for the financial year		64,770	45,619
Other comprehensive income			
Currency translation differences		15	(79)
Remeasurement of net defined benefit liability		(2,631)	(4,154)
Movement on deferred tax relating to pension losses		500	789
Fair value movement on hedged items		237	102
Movement on deferred tax relating to hedging		(45)	(19)
Other comprehensive income for the year		(1,924)	(3,361)
Total comprehensive income for the year		62,846	42,258
		2020 £000	2019 £000
Total comprehensive income attributable to:			
Non-controlling interest		517	302
Owners of the parent		62,329	41,956
		62,846	42,258

The notes on pages 27 to 72 form part of these financial statements.

The MDS Estates Limited
Consolidated statement of financial position
As at 31 October 2020
Registered number: 09221483

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	16	264	183
Goodwill	16	(2,009)	(2,009)
Tangible assets	17	32,450	31,268
Investment property	18	291,100	212,847
		<u>321,805</u>	<u>242,289</u>
Investments			
Listed investments	19	3,705	4,499
Unlisted investments	19	10,161	8,533
Interests in associates	20	561	579
		<u>14,427</u>	<u>13,611</u>
Investments in joint ventures			
Share of gross assets		59,425	51,898
Share of gross liabilities		(56,309)	(46,281)
Share of net assets	20	3,116	5,617
Loans to joint ventures	20	14,224	10,728
		<u>17,340</u>	<u>16,345</u>
Current assets			
Stocks	21	43,857	43,151
Debtors: amounts falling due within one year	22	11,974	12,025
Debtors: amounts falling due after one year	23	3,344	3,304
Cash at bank and in hand		11,672	18,687
		<u>70,847</u>	<u>77,167</u>
Creditors: amounts falling due within one year	24	<u>(29,159)</u>	<u>(80,974)</u>
Net current assets / (liabilities)		<u>41,688</u>	<u>(3,807)</u>
Total assets less current liabilities		<u>395,260</u>	<u>268,438</u>
Creditors: amounts falling due after more than one year	25	<u>(84,158)</u>	<u>(36,885)</u>
Provisions for liabilities			
Deferred tax	29	(29,197)	(11,000)
Pension liability	34	(11,561)	(11,540)
		<u>270,344</u>	<u>209,013</u>
Minority interests		<u>(2,203)</u>	<u>(2,201)</u>
Net assets		<u><u>268,141</u></u>	<u><u>206,812</u></u>

The notes on pages 27 to 72 form part of these financial statements.

The MDS Estates Limited
Consolidated statement of financial position (continued)
As at 31 October 2020
Registered number: 09221483

	Note	2020 £000	2019 £000
Capital and reserves			
Called-up equity share capital	30	320	320
Revaluation reserve	31	180,634	102,985
Capital redemption reserve	31	80	80
Hedging reserve	31	-	(192)
Profit and loss account	31	87,107	103,619
		<u>268,141</u>	<u>206,812</u>
 Equity attributable to owners of the parent company		 268,141	 206,812
 Non-controlling interests		 2,203	 2,201
		<u>270,344</u>	<u>209,013</u>

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



Bernard Higgins
Director

Date: 25 June 2021

The notes on pages 27 to 72 form part of these financial statements.

The MDS Estates Limited

Consolidated statement of changes in equity

For the year ended 31 October 2020

	Called up share capital	Capital redemption reserve	Revaluation reserve	Hedging reserve	Profit and loss account	Owners' equity	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 31 October 2019	320	80	102,985	(192)	103,619	206,812	2,201	209,013
Profit for the year	-	-	-	-	64,253	64,253	517	64,770
Currency translation differences	-	-	-	-	15	15	-	15
Actuarial loss on pension scheme	-	-	-	-	(2,631)	(2,631)	-	(2,631)
Tax movements	-	-	-	-	-	-	(119)	(119)
Deferred tax movements on pension scheme	-	-	-	-	500	500	-	500
Fair value movement on hedging instruments	-	-	-	237	-	237	-	237
Deferred tax movement on hedging instruments	-	-	-	(45)	-	(45)	-	(45)
Total comprehensive income for the year	-	-	-	192	62,137	62,329	398	62,727
Dividend paid	-	-	-	-	(1,000)	(1,000)	(75)	(1,075)
Transfer to / from profit and loss account	-	-	(11,014)	-	11,014	-	-	-
Revaluation on investments in the current year	-	-	88,663	-	(88,663)	-	-	-
Purchase of minority interest	-	-	-	-	-	-	(321)	(321)
At 31 October 2020	320	80	180,634	-	87,107	268,141	2,203	270,344

The notes on pages 27 to 72 form part of these financial statements.

The MDS Estates Limited

Consolidated statement of changes in equity

For the year ended 31 October 2020

	Called up share capital	Capital redemption reserve	Revaluation reserve	Hedging reserve	Profit and loss account	Owners' equity	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 November 2018	320	80	107,692	(275)	59,039	166,856	1,984	168,840
Profit for the year	-	-	-	-	45,317	45,317	302	45,619
Currency translation differences	-	-	-	-	(79)	(79)	-	(79)
Actuarial loss on pension scheme	-	-	-	-	(4,154)	(4,154)	-	(4,154)
Deferred tax movements on pension scheme	-	-	-	-	789	789	-	789
Fair value movement on hedging instruments	-	-	-	102	-	102	-	102
Deferred tax movement on hedging instruments	-	-	-	(19)	-	(19)	-	(19)
Total comprehensive income for the year	-	-	-	83	41,873	41,956	302	42,258
Dividend paid	-	-	-	-	(2,000)	(2,000)	(85)	(2,085)
Transfer to / from profit and loss account	-	-	(12,332)	-	12,332	-	-	-
Revaluation on investments in the current year	-	-	7,625	-	(7,625)	-	-	-
At 31 October 2019	320	80	102,985	(192)	103,619	206,812	2,201	209,013

The notes on pages 27 to 72 form part of these financial statements.

The MDS Estates Limited

Company statement of financial position

As at 31 October 2020

Registered number: 09221483

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	17	165	232
Investments in group undertakings	19	12,870	12,870
Loans to subsidiaries	19	-	-
		<u>13,035</u>	<u>13,102</u>
Current assets			
Debtors: amounts falling due within one year	22	1,162	370
Cash at bank and in hand		530	1,265
		<u>1,692</u>	<u>1,635</u>
Creditors: amounts falling due within one year	24	<u>(5,217)</u>	<u>(3,242)</u>
Net current (liabilities)		<u>(3,525)</u>	<u>(1,607)</u>
Total assets less current liabilities		9,510	11,495
Creditors: amounts falling due after more than one year	25	(100)	(100)
Net assets		<u>9,410</u>	<u>11,395</u>
Capital and reserves			
Called-up equity share capital	30	320	320
Profit and loss account	31	9,090	11,075
Shareholders' funds		<u>9,410</u>	<u>11,395</u>

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 loss after tax of the parent Company for the year was a loss of £985,000, (2019 - a profit of £10,129,000).

The MDS Estates Limited

Company statement of financial position

As at 31 October 2020

Registered number: 09221483

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



Bernard Higgins
Director

Date: 25 June 2021

The notes on pages 27 to 72 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 October 2020

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 November 2019	320	11,075	11,395
Loss on ordinary activities after taxation	-	(985)	(985)
Dividends paid and proposed	-	(1,000)	(1,000)
At 31 October 2020	320	9,090	9,410

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 November 2018	320	2,946	3,266
Profit on ordinary activities after taxation	-	10,129	10,129
Dividends paid and proposed	-	(2,000)	(2,000)
At 31 October 2019	320	11,075	11,395

The notes on pages 27 to 72 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 October 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit for the financial year	64,253	45,317
Adjustments for:		
Amortisation of intangible assets	29	194
Depreciation	2,297	2,250
Amounts written off investments	481	50
Profit on disposal of tangible assets	(6,297)	(41,101)
Interest paid	2,467	3,439
Interest received	(11)	(15)
Taxation	18,669	1,082
Stock movement	(706)	2,857
Debtors movements	(57)	1,397
Creditor movements	1,563	2,141
Pension liabilities non-cash adjustments	298	332
Pension scheme deficit reduction	(3,115)	(4,778)
Fair value movements of investment properties recognised in P&L	(88,458)	(7,288)
Fair value movements of investments recognised in P&L	(205)	(337)
Fair value movements of financial assets recognised in P&L	2,358	1,811
Joint ventures operating profit	176	(365)
Associates operating loss	-	(4)
Profit on disposal of investments	(12)	(2,018)
Profit on disposal of JVs	-	(560)
Income from investments	(733)	(1,073)
Income from participating interests	(19)	(27)
Loss on translation	2	(36)
Minority interest	517	302
Net cash (used) / generated in operating activities	(6,503)	3,570

Consolidated statement of cash flows (continued)

For the year ended 31 October 2020

	2020 £000	2019 £000
Cash flows from investing activities		
Purchase of intangible fixed assets	(110)	(108)
Purchase of property and other fixed assets	(4,746)	(21,037)
Sale of property and other fixed assets	17,161	63,192
Purchase of unlisted and other investments	(1,770)	(704)
Sale of unlisted investments	157	2,217
Sale of listed investments	1,000	1,005
Advance of loans with joint ventures	(4,133)	(6,935)
Interest received	11	15
Investment income received	733	1,073
Distributions from joint ventures	1,039	4,475
Income from participating interests	19	27
Repayment of loans from joint ventures	1,362	3,525
Net cash generated from investing activities	10,723	46,745

	2020 £000	2019 £000
Cash flows from financing activities		
New secured loans	4,343	9,890
Repayment of bank loans	(11,159)	(43,873)
Related party loan received	-	343
Related party loan paid – Andstrat (no314) Ltd	-	(1,950)
Related party loan paid – Earl of Dalkeith	-	(1,000)
Related party loan paid – Crawick Multiverse Trust	-	(198)
Other new loans - Cruden	-	(315)
Other new loans - Wrenbridge	100	750
Other new loans – Shawfair and QPL	-	(1,849)
New finance leases	22	90
Repayment of finance leases	(45)	(44)
Dividends paid	(1,000)	(2,000)
Interest paid	(3,468)	(2,501)
Dividends paid to non-controlling interests	(75)	(85)
Preference dividends paid	(4)	(7)
Tax paid by joint ventures	(230)	(215)
Receipts for surrendered tax losses	281	625
Net cash used in financing activities	(11,235)	(42,339)

Consolidated statement of cash flows (continued)

For the year ended 31 October 2020

	2020 £000	2019 £000
Net cash used in operating activities	(6,503)	3,570
Net cash generated from investing activities	10,723	46,745
Net cash used in financing activities	(11,235)	(42,339)
Net (decrease) / increase in cash and cash equivalents	(7,015)	7,976

	2020 £000	2019 £000
Cash and cash equivalents at the start of the year	18,687	10,711
Net (decrease) / increase in cash and cash equivalents	(7,015)	7,976
Cash and cash equivalents at the end of the year	11,672	18,687

	2020 £000	2019 £000
Cash and cash equivalents at the end of the year comprises:		
Cash at bank and in hand	11,672	18,687

	2020 £000	2019 £000
Analysis of changes in net debt:		
Cash at bank and in hand	11,672	18,687
Debt due	(79,038)	(87,353)
Cash at bank and in hand	(67,366)	(68,666)

	2020 £000	2019 £000
Reconciliation of net cash to movement in net debt		
(Decrease)/ increase in cash for the year	(7,015)	7,976
Cash outflow/inflow from decrease/increase in net debt	6,816	33,983
Non cash movement	1,499	(296)
Movement in net debt in year	1,300	41,663
Net debt at 1 November 2019	(68,666)	(110,329)
Net debt at 31 October 2020	(67,366)	(68,666)

The notes on pages 27 to 72 form part of these financial statements.

Notes to the financial statements

For the year ended 31 October 2020

1. General information

The MDS Estates Ltd is a private company limited by share capital incorporated in the UK. The Registered Office is Buccleuch Property 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, hospitality and energy projects. The MDS Estates Ltd is the ultimate parent holding company for The Buccleuch Estates Ltd and Buccleuch Holdings Ltd 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.

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

Covid-19 has impacted the ability of the directors, who are supported by professional specialists in valuing the company's property assets, to predict how future fluctuations in the valuation of the group's properties will comply with the loan to value covenants which are in place with the group's lenders. The group has held discussions with both of its lenders and each lender has indicated their willingness to support the group during this challenging period.

The wider macroeconomic uncertainty the outbreak of Covid-19 has created also has made it difficult for the directors to forecast the ability of the group's tenants to pay their rent as it falls due. The group has taken steps to mitigate these risks within its commercial property division including granting rental payment deferrals to tenants who will pay rent due for a period in 2020 during the pandemic over an agreed period in 2021. The directors have prepared cash flows forecasts for the period to 31 October 2022 which did not indicate any breach of available headroom. Furthermore, the directors stress tested the cash flows included in the forecasts to take a more pessimistic view on the future and in this scenario the group and company still maintained sufficient headroom. Finally, the directors have performed a review of forecast covenant compliance using data provided by the valuation specialists to assess the impact on the company loan-to-value covenants and have considered the impact of reduced cash flows on the interest cover covenant. No likely breaches were identified from these forecasts and the directors do not deem a breach of covenants likely within the 12 month period from the signing of the financial statements.

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

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 consolidated statement of financial position, the acquirer'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.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of The MDS Estates Limited as at 31 October 2020.

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

2.4 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 joint ventures and 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 turnover, 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.

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.5 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:

Estates and Commercial Property Rental Income

Rental income excluding value added tax arising on investment properties is accounted for on a straight-line basis over the terms of the individual leases.

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

Service Charges and Expenses Recoverable from Tenants

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

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.

Shooting income

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

Farming income

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.6 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 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.

2.7 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.8 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.

2.9 Investment property

Investment property is carried at fair value determined annually by external and 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 profit or loss. Any unrealised revaluations at the year end are transferred through the statement of changes in equity to the revaluation reserve.

2.10 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 shares, whose market value can be reliably determined, are remeasured to fair value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period. Where market value cannot be reliably determined, such investments are stated at historic cost.

2.11 Stocks

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

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

2.12 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 (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.13 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.

2.14 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, such as 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.

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are non-basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate other than those derivatives to which hedge accounting has been applied, as outlined in the policy below.

Financial 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 and cash flow interest rate risk. The directors 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 encompasses two types of risk, being fair value interest rate risk and price risk. The Group uses a variable fixed interest rate swap to manage its exposure to cash flow interest rate risk arising from floating rate liabilities.

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.

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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.

2.15 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.

2.16 Hedge accounting

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

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

If the hedge designations are no longer considered appropriate, any amounts previously recognised through the hedging reserve are reclassified through profit or loss in the year that the hedge designation is derecognised.

2.17 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 (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.18 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

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.

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.

2.19 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.

2.20 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 (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.21 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.

2.22 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for certain 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.

Notes to the financial statements (continued)

For the year ended 31 October 2020

2. Accounting policies (continued)

2.22 Pensions (continued)

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'.

2.23 Interest income

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

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.

The MDS Estates Limited
Notes to the financial statements (continued)
For the year ended 31 October 2020

2. Accounting policies (continued)

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.

2.26 Negative goodwill

Negative goodwill arising on consolidation reflects the amount by which the fair value of the net assets of certain joint venture and subsidiary interests exceeds the fair value of the consideration paid on acquisition by the company of these interests. Negative goodwill is recognised in profit or loss in the years in which the company's investments in joint ventures/subsidiaries, or the assets to which the negative goodwill relates are disposed.

2.27 Long term incentive plan scheme

A long term management incentive plan is in place. Cash awards are made to management based on the performance of selected property investment, development projects and energy projects. Amounts are accrued within the financial statements when it is probable a payment relating to the selected projects will be made to management.

Notes to the financial statements (continued)

For the year ended 31 October 2020

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and 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 £11.561m (2019: £11.540m). 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 34 of the accounts.

Deferred tax

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

Deferred tax assets are recognised for all unabsorbed tax losses which are available to offset against future capital gains to the extent that it is probable that taxable 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.

Rural investment properties

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

A rolling program of inspections were carried out and a sample inspected. The approach has been to value in detail those properties that have been inspected considering both their Vacant Possession Value and Market Value. For the remaining properties a yield approach was used, based on the evidence that came from the properties that were inspected. See note 18.

Long term incentive plan scheme

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

4. Turnover

	2020 £000	2019 £000
Commercial property – rental income	4,244	5,000
Commercial property – sale of development property	14,665	29,509
Estate activities	9,624	9,885
Woodlands	11,420	10,925
Other	2,294	3,799
Farming	6,420	7,167
	<u>48,667</u>	<u>66,285</u>

5. Other operating income

	2020 £000	2019 £000
Profit on disposal of tangible fixed assets	6,297	41,101
Profit on disposal of fixed asset investments	12	2,018
Profit on disposal of joint ventures	-	560
	<u>6,309</u>	<u>43,679</u>

6. Operating profit

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

	2020 £000	2019 £000
Charitable donations	1,160	456
Political donations	2	1
Amortisation of intangible assets	29	194
Government grants of a revenue nature - Farming	(2,256)	(2,535)
Government grants of a revenue nature - Woodlands	(516)	(458)
Government grants of a revenue nature - Other	(129)	(498)
Other rentals - Plant and machinery	103	110
Other rentals - Land and buildings	12	11
Defined contribution pension cost	760	597
Defined benefit pension cost	298	332
Depreciation - owned assets	2,258	2,211
Depreciation - assets under HP	39	39
Gain on revaluation of investment property	87,850	8,214
Gain on revaluation of unlisted investments	960	-
Share of joint venture revaluation	(352)	(926)
Gain on revaluation of listed investments	205	337

Notes to the financial statements (continued)

For the year ended 31 October 2020

7. Auditors remuneration

	2020 £000	2019 £000
Fees payable to Group auditor for audit of the Group Subsidiary financial statements	<u>171</u>	<u>167</u>
Fees payable to Group auditor for audit of the Company financial statements	<u>7</u>	<u>9</u>
Fees payable to Group auditor for tax compliance work	116	-
Fees payable to Group auditor for non-audit services	<u>-</u>	<u>6</u>

8. Employees

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

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Wages and salaries	13,853	13,021	3,680	4,037
Social security costs	1,535	1,302	441	487
Cost of defined benefit scheme	298	332	118	206
Cost of defined contribution scheme	760	597	197	157
	<u>16,446</u>	<u>15,252</u>	<u>4,436</u>	<u>4,887</u>

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

	Group		Company	
	2020	2019	2020	2019
Full time employees	292	257	22	23
Part time employees	<u>143</u>	<u>162</u>	<u>15</u>	<u>15</u>
	<u>435</u>	<u>419</u>	<u>37</u>	<u>38</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

9. Directors' remuneration

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Directors' emoluments	1,807	2,490	1,807	2,490
Compensation for loss office	-	125	-	125
	<u>1,807</u>	<u>2,615</u>	<u>1,807</u>	<u>2,615</u>

During the year retirement benefits were accruing to no director (2019 - nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £581,816 (2019 - £765,946).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2019 - £Nil).

The value of the company's contributions paid to long term incentive plan scheme, in respect of the directors amounted to £nil (2019 - £571,224).

10. Income from other fixed asset investments

	2020	2019
	£000	£000
Income from other fixed asset investments	<u>733</u>	<u>1,073</u>

11. Interest receivable

	2020	2019
	£000	£000
Interest receivable and similar income	<u>11</u>	<u>15</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

12. Interest payable and similar charges

	2020 £000	2019 £000
Bank interest payable	(1,934)	(2,719)
Interest on loans from related parties	(95)	(158)
Share of joint venture interest	(227)	(277)
Preference shares dividends	(4)	(7)
Interest on finance leases and hire purchase contracts	-	(1)
	<u>(2,260)</u>	<u>(3,162)</u>

13. Other finance costs

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

14. Taxation

	2020 £000	2019 £000
UK Corporation tax on profits for the year	(20)	(11)
Adjustments in respect of prior periods	(7)	7
Share of tax of joint ventures	(230)	(389)
Foreign corporation tax on profits for the year	-	(9)
Receipt for surrender of tax losses	281	629
Total current year tax	<u>24</u>	<u>227</u>

	2020 £000	2019 £000
Deferred tax		
Origination of reversal of timing differences	(18,185)	(483)
Origination of reversal of timing differences – JV's	(12)	(34)
Origination of reversal of timing differences – pension liability	(496)	(792)
Total deferred tax	<u>(18,693)</u>	<u>(1,309)</u>

	2020 £000	2019 £000
Corporation tax		
Current year tax charge	24	227
Current year deferred tax charge	(18,693)	(1,309)
Taxation on profit on ordinary activities	<u>(18,669)</u>	<u>(1,082)</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

14. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £000	2019 £000
Profit on ordinary activities before tax	83,439	46,701
Tax on profit on ordinary activities at standard corporation tax rate	(15,853)	(8,869)
Effects of:		
Expenses not deductible for tax purposes	(1,927)	(891)
Fixed asset timing differences	1,591	7,784
Not taxable income	323	1,801
Capital gains	(955)	-
Other taxes	(20)	(11)
Rate differences	(1,031)	137
Deferred tax not recognised/utilisation of unrecognised losses	(836)	(1,669)
Adjustments in respect of prior periods - current tax	(7)	7
Adjustments in respect of prior periods - deferred tax	(235)	-
Receipt for consortium relief	281	629
	<u>(18,669)</u>	<u>(1,082)</u>

Factors that may affect future tax charges

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

15. Dividends

	2020 £000	2019 £000
Dividends paid	(1,000)	(2,000)
Minority interest dividends paid	(75)	(85)
	<u>(1,075)</u>	<u>(2,085)</u>

16. Intangible fixed assets

Group	Farming Quotas £000	Other £000	Negative Goodwill £000	Total £000
Cost				
At 1 November 2019	1,642	229	(4,003)	(2,132)
Additions	108	2	-	110
Disposals	-	-	-	-
At 31 October 2020	1,750	231	(4,003)	(2,022)
Amortisation				
At 1 November 2019	1,639	49	(1,994)	(306)
Provided during the year	19	10	-	29
On disposal	-	-	-	-
At 31 October 2020	1,658	59	(1,994)	(277)
Net book values				
At 31 October 2020	92	172	(2,009)	(1,745)
At 31 October 2019	3	180	(2,009)	(1,826)

Notes to the financial statements (continued)

For the year ended 31 October 2020

17. Tangible fixed assets

Group	Heritable property and improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 November 2019	32,488	13,149	1,409	47,046
Additions	2,038	1,590	49	3,677
Disposals	(337)	(602)	(73)	(1,012)
Transfer between categories	183	7	-	190
At 31 October 2020	34,372	14,144	1,385	49,901
Depreciation				
At 1 November 2019	5,459	9,235	1,084	15,778
Provided during the year	953	1,242	102	2,297
On disposal	(3)	(564)	(57)	(624)
At 31 October 2020	6,409	9,913	1,129	17,451
Net book values				
At 31 October 2020	27,963	4,231	256	32,450
At 31 October 2019	27,029	3,914	325	31,268

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

	2020 £000	2019 £000
Freehold	27,963	27,029

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

	2020 £000	2019 £000
Group	107	178

During the year the Group charged depreciation amounting to £39,546 (2019 - £39,131) in respect of assets held under finance leases and hire purchase contracts.

Notes to the financial statements (continued)

For the year ended 31 October 2020

17. Tangible fixed assets (continued)

Company	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000
Cost			
At 1 November 2019	866	54	920
Additions	72	-	72
Disposals	(162)	-	(162)
Transfer from group company	-	-	-
At 31 October 2020	776	54	830
Depreciation			
At 1 November 2019	636	52	688
Provided during the year	138	1	139
On disposal	(162)	-	(162)
Transfer from group company	-	-	-
At 31 October 2020	612	53	665
Net book values			
At 31 October 2020	164	1	165
At 31 October 2019	230	2	232

18. Investment property

	2020 £000	2019 £000
Freehold investment property at valuation		
At 1 November 2019	212,847	209,424
Additions	1,069	17,097
Disposals	(10,476)	(22,088)
Gain on revaluation	87,850	8,214
Transfer between categories	(190)	200
At 31 October 2020	291,100	212,847

Notes to the financial statements (continued)

For the year ended 31 October 2020

18. Investment property (continued)

Commercial properties within the Group's investment portfolio with a historical cost of £77,347,250 (2019: £77,356,489) were revalued to market value as at 31 October 2020 through a combination of Colliers 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, in the sum of £69,539,999 (2019: £72,954,999). The valuer's opinion of market value of each of the properties has been primarily derived using comparable market transactions on arm's length terms. The net revaluation deficit on the properties is included in the revaluation reserve a non-distributable reserve.

Rural properties held for letting within the Group's investment portfolio with a historical cost of £26,058,352 (2019 - £24,632,880) were revalued to fair value as at 31 October 2020 by Savills. Their valuation was prepared at Fair Value being "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". A change in methodology applied by Savills in their approach to the valuation exercise resulted in a significant uplift being recorded in this year. The net revaluation surplus on the properties is included in the revaluation reserve, a non-distributable reserve.

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

19. Fixed asset investments

Group	Listed £000	Unlisted £000	Total £000
Cost or valuation			
At 1 November 2019	4,499	8,533	13,032
Additions	-	1,465	1,465
Disposals	(999)	(145)	(1,144)
Revaluation	205	308	513
At 31 October 2020	3,705	10,161	13,866

Notes to the financial statements (continued)

For the year ended 31 October 2020

19. Fixed asset investments (continued)

Company investments held at cost

	2020 £000	2019 £000
The Buccleuch Estates Ltd	420	420
Buccleuch Holdings Ltd	5,800	5,800
Bowhill Farming Ltd	4,600	4,600
Queensberry Farming Ltd	1,000	1,000
Eskdale and Liddesdale Farming Ltd	1,050	1,050
	<u>12,870</u>	<u>12,870</u>

Company loans to / (from)

	2020 £000	2019 £000
The Buccleuch Estates Ltd	-	(205)
Alba Trees plc	764	-
	<u>764</u>	<u>(205)</u>

Disclosed as

	2020 £000	2019 £000
Loans to / (from) group undertakings	764	(205)
	<u>764</u>	<u>(205)</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

19. Fixed asset investments (continued)

Subsidiary Undertakings	Principal Activity	Country of Incorporation or Registration	Class of Shares held	Proportion	Notes
The Buccleuch Estates Ltd	Estate Ownership	Scotland	Ordinary	100%	11
Buccleuch Holdings Ltd	Holding Company	England	Ordinary	100%	11
Tarras Park Properties (North) Ltd	Property Investment	Scotland	Ordinary	100%	1
Buccleuch Properties Ltd	Holding Company	England	Ordinary	100%	1
Tarras Park Properties Ltd	Property Investment & Development	England	Ordinary	100%	2
Buccleuch Property (Kettering) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Shawfair) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Newcastle 55) Ltd	Property Investment	England	Ordinary	100%	3
Buccleuch Property (Tyne Tees) Ltd	Property Development	England	Ordinary	100%	3
Shawfair Park Management Ltd	Property Management	Scotland	Ordinary	100%	7
Buccleuch Property Investment Managers Ltd	Trading	England	Ordinary	100%	2
Buccleuch Property (Sheriffhall South) Ltd	Property Development	Scotland	Ordinary	100%	3
Tarras Park Properties (Campden Hill) Ltd	Holding Company	England	Ordinary	100%	3
Bearworth Investments Inc.	Holding Company	USA	Ordinary	100%	3
Buccleuch Property Development (Scotland) Ltd	Property Development	Scotland	Ordinary	100%	3
Buccleuch Property (Belvedere) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Dartford) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Washington) Ltd	Property Development	England	Ordinary	100%	3
Arbucc (Drum) Ltd	Property Development	England	Ordinary	100%	3
The Acorns Residents Management Company Ltd	Property Management	England	Ordinary	100%	3
Buccleuch Property (Beckton) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Bedford) Ltd	Property Development	England	Ordinary	100%	3
Buccleuch Property (Scarborough) Ltd	Property Development	England	Ordinary	100%	3

The MDS Estates Limited
Notes to the financial statements (continued)
For the year ended 31 October 2020

19. Fixed asset investments (continued)

Subsidiary Undertakings	Principal Activity	Country of Incorporation or Registration	Class of Shares Held	Proportion	Notes
The Boughton Estates Ltd	Estate Ownership	England	Ordinary	100%	10
Restoration Yard Ltd	Visitor Services	Scotland	Ordinary	100%	1
Buccleuch Recreational Enterprises Ltd	Visitor Services	England	Ordinary	100%	1
Buccleuch Woodlands Enterprises Ltd	Holding Company	Scotland	Ordinary	100%	1
Buccleuch Woodlands Ltd	Woodlands Ownership & Management	Scotland	Ordinary	100%	5
Buccleuch Woodlands (South) Ltd	Woodlands Ownership & Management	England	Ordinary	100%	10
Buccleuch Property (Newtown St Boswells) Ltd	Property Development	Scotland	Ordinary	100%	3
Scotaus (Holdings) Proprietary Ltd	Investment	Australia	Ordinary	100%	1
Alba Trees plc	Production of cell-grown plants	England	Ordinary	60.28%	1
BQ Farms Ltd	Farming	Scotland	Ordinary	100%	1
BQ Farming Partnerships Ltd	Farming	Scotland	Ordinary	100%	4
BQ Farms (South) Ltd	Farming	Scotland	Ordinary	100%	4
Bowhill Farming Ltd	Farming	Scotland	Ordinary	100%	11
Queensberry Farming Ltd	Farming	Scotland	Ordinary	100%	11
Eskdale and Liddesdale Farming Ltd	Farming	Scotland	Ordinary	100%	11
Boughton Farming Ltd	Farming	England	Ordinary	100%	10
Granton Assets Ltd	Investments in farming	Scotland	Ordinary	80%	1
Furness Fisheries Ltd	Trading	England	Ordinary	100%	10
Glenmuckloch Restoration Ltd	Trading	England	Ordinary	100%	1
Glenmuckloch Minerals Ltd	Trading	England	Ordinary	100%	8
Glenmuckloch Renewable Energy Ltd	Trading	Scotland	Ordinary	100%	9
Glenmuckloch Pumped Storage Hydro Ltd	Trading	Scotland	Ordinary	100%	9

Notes to the financial statements (continued)

For the year ended 31 October 2020

19. Fixed asset investments (continued)

Joint Ventures	Principal Activity	Country of Incorporation or Registration	Class of Shares Held	Proportion	Notes
Clan Real Estate Ltd	Trading	England	Ordinary	50%	1
York Investors LLP	Property Development	Scotland	Partnership	50%	3
The Ely Cloisters Estate Ltd	Property Investment	England	Ordinary	50%	3
Hanwood Park LLP	Property Development	England	Ordinary	50%	3
Queensberry Properties Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (Peebles) Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (Kinnear Road) Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (Bonnington) Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (New Waverley North) Ltd	Property Development	Scotland	Ordinary	50%	12
Buccleuch ASP LLP	Property Investment	Scotland	Partnership	50%	3
Kettering Land LLP	Property Development	England	Partnership	25%	3
Shawfair LLP	Property Development	Scotland	Partnership	50%	3
Buccleuch KFI (Ibros) Ltd	Investment	Scotland	Ordinary	50%	3
Buccmoor Limited Partnership	Development	Scotland	Partnership	32.76%	3
Buccmoor General Partner Ltd	Investment	Scotland	Ordinary	25%	3
Liton Buccleuch (Moore Street) Ltd	Development	England	Ordinary	50%	3
The Berwicks Company	Farming	Australia	Partnership	71%	6
Berwicks 2000 Partnership	Farming	Australia	Partnership	54%	6
Queensberry Properties (Orago) Ltd	Property Development	Scotland	Ordinary	50%	3
Queensberry Properties (New Waverley) Ltd	Property Development	Scotland	Ordinary	50%	3
Touch Shenstone Ltd	Property Development	England	Ordinary	50%	3
iMpeC Real Estate Ltd	Property Development	England	Ordinary	50%	3
Argon Property Development Solutions Ltd	Property Development	England	Ordinary	50%	3
Associates					
Clan Bankside LLP	Property Development	England	Partnership	33.3%	1

Notes to the financial statements (continued)

For the year ended 31 October 2020

19. Fixed asset investments (continued)

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

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

Other investments

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

19. Fixed asset investments (continued)

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

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

20. Joint ventures and associates

	Associates £000	Joint Ventures £000
Cost and valuation		
At 1 November 2019	579	5,617
Disposals	-	(500)
Share of results for the year	(18)	(748)
Share of JV interest	-	(52)
FX movement	-	25
Share of JV tax	-	(2)
Gain on disposal of investments	-	31
Consolidation adjustment	-	(215)
Dividend paid	-	(1,040)
At 31 October 2020	561	3,116
Loans		
At 1 November 2019	-	10,728
Advanced in the year	-	4,344
Repaid in the year	-	(855)
Written down	-	7
At 31 October 2020	-	14,224
Group's share of		
Turnover	33	5,265
Fixed assets	-	9,865
Current assets	613	49,559
Liabilities due within one year	(52)	(23,685)
Liabilities due after more than one year	-	(32,623)
Share of net assets	561	3,116

Notes to the financial statements (continued)

For the year ended 31 October 2020

21. Stocks

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Estate	1,287	1,027	-	-
Farming	3,852	3,762	-	-
Work in progress – development properties	33,481	33,691	-	-
Raw materials	4,821	4,045	-	-
Retail	416	626	-	-
	<u>43,857</u>	<u>43,151</u>	<u>-</u>	<u>-</u>

22. Debtors – due within one year

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade debtors	5,794	4,603	121	115
Amounts owed by group undertakings	-	-	933	129
Other debtors	4,391	5,462	7	12
Tax and social security	-	-	29	33
Prepayments and accrued income	1,789	1,960	72	81
	<u>11,974</u>	<u>12,025</u>	<u>1,162</u>	<u>370</u>

23. Debtors – due after more than one year

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Other debtors	1,147	1,046	-	-
Deferred tax asset	2,197	2,238	-	-
Derivatives	-	20	-	-
	<u>3,344</u>	<u>3,304</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

24. Creditors – amounts falling due within one year

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank loans	1,380	54,803	-	-
Trade creditors	3,471	4,970	429	380
Amounts owed to group undertakings	-	-	(6)	205
Loans from related parties	6,034	5,934	-	-
Corporation tax	62	31	-	-
Tax and social security	265	755	156	130
Obligations under finance leases	35	45	-	-
Other creditors	4,501	2,059	264	285
Accruals and deferred income	13,411	12,377	4,374	2,242
	<u>29,159</u>	<u>80,974</u>	<u>5,217</u>	<u>3,242</u>

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

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

All bank loans and overdrafts bear interest at commercial rates, fixed where appropriate and hedging arrangements are in place for a proportion of the borrowing (see note 28).

Notes to the financial statements (continued)

For the year ended 31 October 2020

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

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank loans	77,658	32,550	-	-
Net obligations under finance leases	29	42	-	-
Share capital treated as debt	100	100	100	100
Accruals and deferred income	377	301	-	-
Derivatives	5,994	3,892	-	-
	<u>84,158</u>	<u>36,885</u>	<u>100</u>	<u>100</u>

26. Maturity of bank loans and overdrafts

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts repayable within one year	1,380	54,803	-	-
Amounts repayable in one to two years	5,180	1,380	-	-
Amounts repayable in two to five years	34,254	6,523	-	-
Amounts repayable in five years or more	38,224	24,647	-	-
	<u>79,038</u>	<u>87,353</u>	<u>-</u>	<u>-</u>

In December 2019 part of the Group's debt was refinanced. The Group now has a £70m Revolving Credit Facility available, of which £10m is multi-currency. This matures on 10 December 2024.

Notes to the financial statements (continued)

For the year ended 31 October 2020

27. Financial instruments

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Financial assets				
Financial assets measured at fair value through profit and loss	-	20	-	-
Financial assets that are debt instruments measured at amortised cost	23,003	29,798	1,591	1,521
	<u>23,003</u>	<u>29,818</u>	<u>1,591</u>	<u>1,521</u>

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Financial liabilities				
Financial liabilities measured at amortised cost	(106,968)	(113,138)	(5,167)	(3,214)
Financial liabilities measured at fair value through profit and loss	(5,994)	(3,892)	-	-
	<u>(112,962)</u>	<u>(117,030)</u>	<u>(5,167)</u>	<u>(3,214)</u>

Swap instruments were valued using the MID point of the yield curve prevailing on the reporting date. The valuations have been made on a clean basis in that they do not include accrued interest from previous settlement date to the reporting date. The fair present value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates.

Notes to the financial statements (continued)

For the year ended 31 October 2020

28. Financial instruments (hedging)

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

29. Deferred taxation

	2020 £000	2019 £000
Group		
At beginning of year	(8,763)	(8,224)
Charged to profit and loss	(18,692)	(1,309)
Charged to other comprehensive income	455	770
At end of year	<u>(27,000)</u>	<u>(8,763)</u>

	2020 £000	2019 £000
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The provision for deferred taxation is made up as follows:

Revaluation of properties and investments	(32,983)	(14,938)
Tax losses carried forward	5,323	5,321
Pension surplus	2,197	2,192
Recognition of rolled over gains	(1,358)	(1,215)
Swaps and other financial instruments	-	45
Alba Trees plc deferred tax	(179)	(168)
	<u>(27,000)</u>	<u>(8,763)</u>

	2020 £000	2019 £000
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Comprising:

Asset – due after one year	2,197	2,237
Liability	(29,197)	(11,000)
	<u>(27,000)</u>	<u>(8,763)</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

30. Share capital

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Shares classified as equity				
Allotted, called up and fully paid				
320,000 Ordinary shares of £1 each	320	320	320	320
Shares classified as debt				
Allotted called up and fully paid				
100,000 7% Preference cumulative shares of £1 each	100	100	100	100
	<u>420</u>	<u>420</u>	<u>420</u>	<u>420</u>

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.

31. Reserves

Revaluation reserve

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

Capital redemption reserve

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

Hedging reserve

This reserve records fair value movements on cash flow hedging instruments. Once the instrument is settled these amounts then get recycled to profit and loss account reserve.

Profit and loss account

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

32. 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, corporate 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 crystallise in the event of the underlying entity defaulting on its obligations.

In 2007 a subsidiary company, The Buccleuch Estates Ltd, entered into a Pension Funding Agreement with The Buccleuch Estates Ltd Pension Trustee Company (the trustee). In support of its obligations The Buccleuch Estates Ltd agreed to provide the trustee with contingent assets. Therefore, The Buccleuch Estates Ltd procured that its subsidiary The Boughton Estates Ltd granted a security and legal charge over certain residential properties on the Boughton Estate to a value of £8m. On the 22 March 2010 The Buccleuch Estates Ltd entered into a parental guarantee in favour of The Buccleuch Estates Ltd Pension Trustee Company to further support the Group's commitment to its pension scheme obligations. On 19 March 2019, the parental guarantee was transferred to The MDS Estates Ltd.

The directors have signed an unlimited intercompany guarantee in favour of the Group's bankers, The Royal Bank of Scotland plc in respect of the Group's global overdraft and debt facility. The MDS Estates Limited had a total contingent liability at 31 October 2020 of £49,780,574 (2019 - £45,656,161).

33. Capital commitments

At 31 October 2020 the Group and Company had capital commitments as follows:

The Group has contracted to commit a further £273,483 (2019: £452,569) into Clan Bankside Quarter (UK) Ltd, a further £297,033 (2019: £297,033) into Clan (Regent House) LLP, a further £2,177,289 (2019: £2,211,664) into Native Land (Kensington) Limited, a further \$528,822 (2019: \$nil) into Flowery Branch Holdings LLP and a further \$884,844 (2019: \$nil) into G State Dobbs Holdings LLP as at 31 October 2020.

Notes to the financial statements (continued)

For the year ended 31 October 2020

33. Capital commitments (continued)

The Group and Cruden Investments Ltd, as ultimate shareholders of Queensberry Properties Ltd, have a joint and several guarantee for £1m equity commitment into Edinburgh St. James Residential Building Company Ltd, a company in which Queensberry Properties Ltd invests. The company and Cruden Investments Ltd have a Contribution Agreement between each other to ensure that liability under the joint and several guarantee referred to above is shared equally.

The Group has financial and performance guarantees with TTL South Kensington Properties Limited, London Underground Ltd and Native Land (Kensington) Limited in relation to funding of Native Land (Kensington) Limited's share of costs during the conditional joint venture, completion of the acquisition in the event the conditionality is purified and performance of Native Land Limited under its Development Management Agreement. The company has cash held in escrow and counter-indemnities from its co-investors as security against provision of these guarantees.

The Group provides cost overrun and interest shortfall guarantees on a several basis (with its 50% joint venture partner North Northamptonshire Investments Limited) to The Homes and Communities Agency in relation to its provision of c£26.2m of debt facilities to the Hanwood Park Sustainable Urban Extension.

The Group provides a cost overrun guarantee and a £0.75m corporate guarantee on a several basis (with its 50% joint venture partner Cruden Homes (East) Limited) to Aldermore Bank plc in relation to its provision of c£22.9m of debt facilities to the New Waverley project.

The Group has provided a cost overrun guarantee and a £0.89m corporate guarantee on a several basis (with its 50% joint venture partner Cruden Homes (East) Limited) to Royal Bank of Scotland plc in relation to its provision of £3.22m of debt facilities to the Bonnington project.

The Group has provided an indemnity to Aviva Insurance Ltd against sureties given by Aviva Insurance Ltd on a number of infrastructure section agreements.

There is currently no expectation that any trigger events will occur such that any of the guarantees would crystallise.

Notes to the financial statements (continued)

For the year ended 31 October 2020

34. Pension commitments

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

34. Pension commitments (continued)

	2020 £000	2019 £000
Reconciliation of present value of plan assets:		
At the beginning of the year	35,337	29,422
Interest income	723	854
Actuarial gains / (losses)	37	1,756
Contributions	3,176	4,840
Benefits paid	(1,092)	(1,535)
At the end of the year	<u>38,181</u>	<u>35,337</u>

	2020 £000	2019 £000
Composition of plan:		
Fair value of plan assets	38,181	35,337
Present value of plan liabilities	(49,742)	(46,877)
Net pension scheme liability	<u>(11,561)</u>	<u>(11,540)</u>

	2020 £000	2019 £000
Amounts recognised in profit or loss are as follows:		
Current service costs	298	332
Interest on obligation	207	277
Benefit charges	-	-
Total	<u>505</u>	<u>609</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

34. Pension commitments (continued)

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

	2020 %	2019 %
Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):		
Discount rate	1.70	2.0
Future salary increases	3.20	3.20
Pension increases in payment (capped at 5% pa)	3.20	3.20
Pension increases in payment (capped at 2.5% pa)	2.50	2.5
Inflation (RPI)	3.20	3.20

	2020 %	2019 %
The mortality assumptions adopted at 31 October 2020 imply the following life expectancies on retirement at age 65:		
Retiring today		
Male	19.9	19.9
Female	23.10	23.10
Retiring in 20 years		
Male	21.3	21.4
Female	24.70	24.70

Notes to the financial statements (continued)

For the year ended 31 October 2020

34. Pension commitments (continued)

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

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

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

35. Commitments under operating leases

	2020 £000	2019 £000
At 31 October 2020 the Group had future minimum lease payments under non – cancellable operating leases as follows:		
Not later than 1 year	109	109
Later than 1 year and not later than 5 years	127	127
Later than 5 years	-	-
Total	<u>236</u>	<u>236</u>

Notes to the financial statements (continued)

For the year ended 31 October 2020

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

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

Related Party	Relationship	Nature of balance	2020	2019
			£	£
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Net recharge of costs	62,517	173,593
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Woodlands payments	90,799	(198,300)
Lord John Scott	Director	Maintenance costs	2,855	5,050
Lord Damian Scott	Director	Maintenance costs	6,240	1,106
The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Net recharge of costs	739,169	446,240
The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Donations	(845,000)	(155,247)
The Earl of Dalkeith	Director	Loan movement	-	(1,000,000)
The Earl of Dalkeith	Director	Recharge of costs	17,125	7,724
The Earl of Dalkeith	Director	Interest	(95,431)	(126,500)
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Solum ground rent	5,392	7,395
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Timber	(173,640)	(103,612)
Tibbers Trust	Directors of the Company are Trustees of the Trust	Commission	-	1,402
John Glen	Director	Loan advanced	-	342,999
The Crawick Multiverse Trust	Directors of the Company are Trustees of the Trust	Recharge of costs	146	1,014

Notes to the financial statements (continued)

For the year ended 31 October 2020

36. Related party transactions (continued)

Clonhie Deer Partnership	Partnership	Fencing investment	2,360	2,256
North Lowther Energy Initiative	Joint venture	Investment	-	997,311
Alba Trees plc	Joint venture	Purchase trees	(421,661)	(372,605)
Alba Trees plc	Joint venture	Loan advanced	(514,290)	(250,000)
Borders Farming P'ship	Partnership	Recharge of costs	2,793	(16,589)
Caigue Publishing	Common director	Purchase	(40,000)	(40,032)
Andstrat (no 314) Ltd	Common directors	Interest	-	(32,816)
Andstrat (no 314) Ltd	Common directors	Loan movement	-	(1,950,000)
Queensberry Properties (Peebles) Limited	Joint Venture	Loan (repayment)/advance	-	(146,466)
Queensberry Properties Limited	Joint Venture	Loan (repayment)	2,918,411	5,034,208
Hanwood Park LLP	Joint Venture	Loan (repayment)/advance	-	(293,285)
Litton Buccleuch (Moore Street) Limited	Joint Venture	Loan advance	-	(227,500)
iMpeC Real Estate Limited	Joint Venture	Loan advance	45,750	19,000
Touch Shenstone Limited	Joint Venture	Loan advance	13,050	7,000
Shawfair LLP	Joint Venture	Loan (repayment)/advance	512,497	812,606

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

Related Party	Relationship	Nature of transactions	2020	2019
			£	£
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Current debtor	30,267	67,371
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Current debtor	17,924	11,397
Lord John Scott	Director	Current debtor	-	4,044
Lord Damian Scott	Director	Current debtor	-	70

Notes to the financial statements (continued)

For the year ended 31 October 2020

36. Related party transactions (continued)

The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Current debtor	110,130	(16,471)
The Earl of Dalkeith	Director	Loan balance		(5,183,835)
The Earl of Dalkeith	Director	Current debtor	1,320	9,570
The Crawick Multiverse Trust	Directors of the Company are Trustees of the Trust	Current debtor	-	319
Clonhie Deer Partnership	Partnership	Current debtor	-	-
Alba Trees plc	Joint venture	Current creditor	-	(21,376)
Alba Trees plc	Joint venture	Loan	514,290	-
Borders Farming P'ship	Partnership	Current debtor	320	1,183
Queensberry Properties Limited	Joint Venture	Loan	6,810,992	3,685,452
Hanwood Park LLP	Joint Venture	Loan	6,634,395	6,401,130
iMpeC Real Estate Limited	Joint Venture	Loan *	99,750	54,000
Touch Shenstone Limited	Joint Venture	Loan *	62,300	69,250
Shawfair LLP	Joint Venture	Loan	825,104	312,606

*Note this amount is fully provided against

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 £1,806,989 (2019: £2,782,202).

37. Controlling party

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

Notes to the financial statements (continued)

For the year ended 31 October 2020

38. Subsidiary undertakings not audited

The following companies within the Group have not prepared audited accounts. In accordance with S479A of the Companies Act 2006, these companies are wholly owned subsidiaries of The MDS Estates Ltd. The MDS Estates Ltd guarantees all outstanding liabilities in these companies at the year ended 31 October 2020, 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 Recreational Enterprises Ltd	01255185
Granton Assets Ltd	SC016758
Buccleuch Property (Newtown St Boswells) Ltd	SC341348
BQ Farms Ltd	SC062810
BQ Farming Partnership Ltd	SC064025
BQ Farms (South) Ltd	SC291354
Glenmuckloch Minerals Ltd	08518434
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
Tarras Park Properties (Campden Hill) Ltd	08587790
Buccleuch Property Development (Scotland) Ltd	SC502742
Shawfair Park Management Ltd	SC336517
Boughton Farming Ltd	09548640
Buccleuch Woodlands (South) Ltd	09548641
Furness Fisheries Ltd	09549231
Furness Minerals Ltd (dissolved)	09549240
Seagrove Holdings Ltd	05659678
Bowhill Farming Ltd	SC557450
Queensberry Farming Ltd	SC557452
Eskdale and Liddesdale Farming Ltd	SC557451
Buccleuch Property (Belvedere) Ltd	10647906
The Acorns Residents Management Company Ltd	10551384
Buccleuch Property (Dartford) Ltd	11047164
Buccleuch Property (Washington) Ltd	11140097
Arbucc (Drum) Ltd	11304804
Buccleuch Property (Scarborough) Ltd	12099942
Buccleuch Property (Bedford) Ltd	12047248
Buccleuch Property (Beckton) Ltd	12334945