

# Financial Statements

## The MDS Estates Limited

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For the year ended 31 October 2021

ULTIMATE PARENT CO

Buckingham Property Development (Scotland) Ltd

SC 502742

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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  
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

## The MDS Estates Limited

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## The MDS Estates Limited

# Group strategic report

For the year ended 31 October 2021

### Business review

As the uncertainties of the Covid-19 pandemic continued throughout 2020 and 2021, once again, the business performance must be viewed in this context.

Overall, within the financial statements, Buccleuch, has reported a profit after tax of £36m. This does not wholly arise from operational activities, but primarily reflects an accounting requirement to revalue our rural property assets on an annual basis. Underlying operational performance significantly improved during the year, with a profit of £4m being reported. Against an operating performance of £(7)m as at 31st October 2020, this is a marked improvement, and one Buccleuch's strategy is built to replicate in the coming years.

During the year, there was a continued strong performance from Buccleuch's commercial property division, which was able to monitor and react to emerging market trends throughout the pandemic, and the long-term strategy adopted by this division continues to stand the business in good stead. Throughout the year, the team continued to invest in new commercial and residential development sites and commercial property investments, which position the business well for the future.

Buccleuch's rural businesses continued to perform well over the 2020/2021 financial year, with both agriculture and forestry benefitting from higher than anticipated livestock and timber values. Into 2021/2022, the impact of Storm Arwen, which hit British shores in November 2021, and subsequent weather events in early 2022, are likely to have an influence on the forestry performance within the financial year ending 31st October 2022.

In line with its longstanding commitment to the environment, Buccleuch continually reviews its operations across the business. This year, areas of peatland on the Queensberry Estate have been restored and a full survey of peatland areas has begun on the other Scottish Estates. There has also been a continuation of amenity woodland planting. As a business, Buccleuch recognise that land and land use will play an important role in both its own and the nation's journey to net zero and to assist with this, the team are also building an understanding of the natural capital opportunities across the estates. In 2022, Buccleuch will continue to work closely with its trusted partners in the renewable energy sector; to bring existing consented schemes to development and production and to seek to become an active participant in future projects.

Together with the economic and environmental benefits the estates afford, Buccleuch also has the capacity to deliver a significant slate of well-being benefits. As an organisation built on land and property assets, and measured against the Scottish Government's National Performance Framework, Buccleuch generates a very strong set of positive benefits across most measures of economic well-being. Particularly, its contributions support the outcomes that are aimed at developing and improving community life and the well-being of children and young people, as well as actively contributing to culture, economic growth, environmental management, fair work, education and health.

Despite the uncertainty the pandemic brought to the sector, Buccleuch's tourism and leisure enterprise ended the year positively. The investment in holiday accommodation on the Queensberry and Borders Estates, benefited from a summer of staycations, with people choosing to holiday closer to home. This was also reflected at Dalkeith Country Park, where the trial of camping facilities, the new high ropes course 'Go Ape', and the adventure playground, Fort Douglas, also rebounded positively from the constraints of lockdown.

## The MDS Estates Limited

**Group strategic report**

For the year ended 31 October 2021

Overall, the accounts for the financial year ended 31st October 2021 show that Buccleuch continues to grow and evolve to meet the challenges that are faced across each of the business areas and remains sustainable for the future. To protect the long-term financial position of the group, Buccleuch entered into a long-term private placement, refinancing existing debt and providing additional funds for reinvestment into the business.

**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:

	2021 £000	2020 £000
Turnover	93,025	48,667
Gross profit	36,982	16,731
Overheads	(32,510)	(23,543)
Net assets	303,976	268,141
Proceeds generated from property disposals excluding development property	11,962	17,279
Debt levels	<u>(74,780)</u>	<u>(79,038)</u>

The MDS Estates Limited

# Group strategic report

For the year ended 31 October 2021

## Policies

### GDPR

In May 2018, Buccleuch undertook extensive work to ensure all areas of the business are compliant with these rules.

### 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. Our full policy is available on the Buccleuch website.

### 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

### 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 to 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.

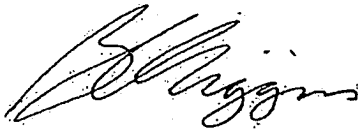
The group's principal credit risk relates to the ability of tenants to meet their obligations in terms of payment of rent. The group manages this risk with in-house asset managers engaging in regular dialogue with tenants to understand their business, occupational needs and ability to meet rental obligations.

**The MDS Estates Limited**

**Note of thanks**

Throughout another turbulent year, our colleagues once again demonstrated their resilience and commitment to the business as, without their efforts, a successful year would not have been possible. On behalf of the board, I would like to take this opportunity to thank each of them for their ongoing efforts.

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

A handwritten signature in black ink, appearing to read 'Bernard Higgins', with a stylized, cursive script.

**Bernard Higgins**  
Director

Date: 22 June 2022

## The MDS Estates Limited

# Directors' report

For the year ended 31 October 2021

The directors present their report and the financial statements for the year ended 31 October 2021.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102. The financial Reporting Standard applicable in the UK and 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- UK Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 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 £36.372m (2020 - £64.253m). During the year a dividend of £1,000,000 (2020 - £1,000,000) was paid.



The MDS Estates Limited

## Directors' report (continued)

For the year ended 31 October 2021

### 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

Lady Elizabeth Dalkeith

Lord Damian Scott

Lord John Scott (resigned 31 October 2021)

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 27.

### Employee involvement

The average monthly number employed during the year was 316 full time employees (2020: 292) and 144 part time employees (2020: 143). 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 to 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

## Directors' report (continued)

For the year ended 31 October 2021

### Disclosure of information to auditor

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the group financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Post Year End Events

Post year end on 24 November 2021, the Group successfully concluded an unsecured Private Placement, locking in a long term source of funding with a blended maturity of c32 years at a fixed cost of debt.

### 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: 22 June 2022



# 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 2021, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2021 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.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.



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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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



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

## **Matters 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, 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.

## **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We enquired of management, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to unusual journal entries, judgements around the investment property values, manual adjustments to revenue, judgements made relating to the LTIP, valuation of the pension assets, the accuracy of the pension liabilities and the valuation of unlisted investments.



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

- Our audit procedures involved:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - identifying and testing all unusual journal entries with a focus on large, manual journals with keywords included;
  - critically assessed the valuation report obtained by management for the investment properties held at year end focusing on the reasonableness of the assumptions used;
  - tested a sample of manual postings to revenue in reference to the revenue recognition policy to confirm revenue recognition was appropriate;
  - assessed management's judgements on percentage completion and probabilities in relation to the LTIP award;
  - utilised an expert to assess the reasonableness of the assumptions used in calculating the pension liability as well as verifying the level of fair value measurement for pension assets; and
  - challenged the assumptions around the valuation of unlisted investments held, corroborating to supporting documentation.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.

### Use of our report

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

A handwritten signature in dark ink, appearing to read "Grant Thornton UK LLP" or similar, written in a cursive style.

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

Date 22 June 2022

## The MDS Estates Limited

## Consolidated statement of comprehensive income

For the year ended 31 October 2021

	Note	2021 £000	2020 £000
<b>Turnover (including share of joint ventures)</b>		<b>123,117</b>	<b>53,932</b>
Less: share of joint ventures		(30,092)	(5,265)
<b>Group turnover</b>	<b>4</b>	<b>93,025</b>	<b>48,667</b>
<b>Cost of sales</b>		<b>(53,985)</b>	<b>(31,936)</b>
<b>Development property impairment</b>		<b>(2,058)</b>	<b>-</b>
<b>Gross profit</b>		<b>36,982</b>	<b>16,731</b>
Administrative expenses		(32,510)	(23,543)
Other operating income	5	2,931	6,309
Gain on revaluations		45,258	88,663
Foreign exchange movements		105	(2)
<b>Group operating profit</b>	<b>6</b>	<b>52,766</b>	<b>88,158</b>
Share of joint ventures' operating profit / (loss)		3,032	(176)
Share of associates' operating profit		27	-
<b>Total operating profit of the group, joint ventures and associates</b>		<b>55,825</b>	<b>87,982</b>
Gain / (Loss) on financial assets at fair value through profit and loss		3,848	(2,358)
Permanent impairment of investments		(245)	(481)
Income from participating interests		21	19
Income from other fixed asset investments	10	252	733
Interest receivable and similar income	11	26	11
Interest payable and similar charges	12	(4,228)	(2,260)
Other finance charges	13	(166)	(207)
<b>Profit on ordinary activities before taxation</b>		<b>55,333</b>	<b>83,439</b>
Taxation	14	(18,269)	(18,669)
<b>Profit on ordinary activities after taxation</b>		<b>37,064</b>	<b>64,770</b>
Equity minority interests		(692)	(517)
<b>Profit for the financial year</b>		<b>36,372</b>	<b>64,253</b>
Profit for year attributable to:			
Non-controlling interest		692	517
Owners of the parent		36,372	64,253
		<b>37,064</b>	<b>64,770</b>

The notes on pages 28 to 72 form part of these financial statements.



**The MDS Estates Limited**  
**Consolidated statement of comprehensive income**  
For the year ended 31 October 2021

	Note	2021 £000	2020 £000
<b>Profit for the financial year</b>		<b>37,064</b>	<b>64,770</b>
<b>Other comprehensive income</b>			
Currency translation differences		13	15
Remeasurement of net defined benefit liability		618	(2,631)
Movement on deferred tax relating to pension losses		(155)	500
Fair value movement on hedged items		-	237
Movement on deferred tax relating to hedging		-	(45)
<b>Other comprehensive income for the year</b>		<b>476</b>	<b>(1,924)</b>
<b>Total comprehensive income for the year</b>		<b>37,540</b>	<b>62,846</b>

	2021 £000	2020 £000
Total comprehensive income attributable to:		
Non-controlling interest	692	517
Owners of the parent	36,848	62,329
	<b>37,540</b>	<b>62,846</b>

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 2021  
Registered number: 09221483

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	16	325	264
Goodwill	16	(1,757)	(2,009)
Tangible assets	17	33,681	32,450
Investment property	18	335,350	291,100
		<u>367,599</u>	<u>321,805</u>
<b>Investments</b>			
Listed investments	19	4,511	3,705
Unlisted investments	19	12,965	10,161
Interests in associates	20	588	561
		<u>18,064</u>	<u>14,427</u>
Investments in joint ventures			
Share of gross assets		62,450	59,425
Share of gross liabilities		(56,695)	(56,309)
Share of net assets	20	5,755	3,116
Loans to joint ventures	20	15,925	14,224
		<u>21,680</u>	<u>17,340</u>
<b>Current assets</b>			
Stocks	21	42,009	43,857
Debtors: amounts falling due within one year	22	15,558	11,974
Debtors: amounts falling due after one year	23	3,602	3,344
Cash at bank and in hand		11,216	11,672
		<u>72,385</u>	<u>70,847</u>
<b>Creditors: amounts falling due within one year</b>	24	<u>(42,761)</u>	<u>(29,159)</u>
<b>Net current assets</b>		<u>29,624</u>	<u>41,688</u>
<b>Total assets less current liabilities</b>		<u>436,967</u>	<u>395,260</u>
<b>Creditors: amounts falling due after more than one year</b>	25	<u>(75,322)</u>	<u>(84,158)</u>
<b>Provisions for liabilities</b>			
Deferred tax	29	(46,406)	(29,197)
Pension liability	34	(8,458)	(11,561)
		<u>306,781</u>	<u>270,344</u>
Minority interests		<u>(2,805)</u>	<u>(2,203)</u>
<b>Net assets</b>		<u><u>303,976</u></u>	<u><u>268,141</u></u>

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

The MDS Estates Limited

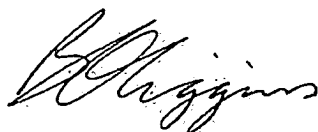
## Consolidated statement of financial position (continued)

As at 31 October 2021

Registered number: 09221483

	Note	2021 £000	2020 £000
<b>Capital and reserves</b>			
Called-up equity share capital	30	320	320
Revaluation reserve	31	213,698	180,634
Capital redemption reserve	31	80	80
Profit and loss account	31	89,878	87,107
		<u>303,976</u>	<u>268,141</u>
 <b>Equity attributable to owners of the parent company</b>		 303,976	 268,141
 <b>Non-controlling interests</b>		 2,805	 2,203
		<u>306,781</u>	<u>270,344</u>

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



**Bernard Higgins**  
Director

Date: 22 June 2022

The notes on pages 28 to 72 form part of these financial statements.

## The MDS Estates Limited

## Consolidated statement of changes in equity

For the year ended 31 October 2021

	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 2020	320	80	180,634	-	87,107	268,141	2,203	270,344
Profit for the year	-	-	-	-	36,372	36,372	692	37,064
Actuarial loss on pension scheme	-	-	-	-	618	618	-	618
Deferred tax movements on pension scheme	-	-	-	-	(155)	(155)	-	(155)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>36,835</b>	<b>36,835</b>	<b>692</b>	<b>37,527</b>
Dividend paid	-	-	-	-	(1,000)	(1,000)	(90)	(1,090)
Transfer to / from profit and loss account	-	-	(12,194)	-	12,194	-	-	-
Revaluation on investments in the current year	-	-	45,258	-	(45,258)	-	-	-
<b>At 31 October 2021</b>	<b>320</b>	<b>80</b>	<b>213,698</b>	<b>-</b>	<b>89,878</b>	<b>303,976</b>	<b>2,805</b>	<b>306,781</b>

The notes on pages 28 to 72 form part of these financial statements.

## The MDS Estates Limited

## Consolidated statement of changes in equity

For the year ended 31 October 2021

	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
<b>At 31 October 2019</b>	<b>320</b>	<b>80</b>	<b>102,985</b>	<b>(192)</b>	<b>103,619</b>	<b>206,812</b>	<b>2,201</b>	<b>209,013</b>
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)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>62,137</b>	<b>62,329</b>	<b>398</b>	<b>62,727</b>
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)
<b>At 31 October 2020</b>	<b>320</b>	<b>80</b>	<b>180,634</b>	<b>-</b>	<b>87,107</b>	<b>268,141</b>	<b>2,203</b>	<b>270,344</b>

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 2021

Registered number: 09221483

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	17	82	165
Investments in group undertakings	19	12,870	12,870
		<u>12,952</u>	<u>13,035</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	22	1,326	1,162
Cash at bank and in hand		-	530
		<u>1,326</u>	<u>1,692</u>
<b>Creditors: amounts falling due within one year</b>	24	<u>(11,391)</u>	<u>(5,217)</u>
<b>Net current (liabilities)</b>		<u>(10,065)</u>	<u>(3,525)</u>
<b>Total assets less current liabilities</b>		2,887	9,510
<b>Creditors: amounts falling due after more than one year</b>	25	<u>(100)</u>	<u>(100)</u>
<b>Net assets</b>		<u><u>2,787</u></u>	<u><u>9,410</u></u>
<b>Capital and reserves</b>			
Called-up equity share capital	30	320	320
Profit and loss account	31	2,467	9,090
<b>Shareholders' funds</b>		<u><u>2,787</u></u>	<u><u>9,410</u></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 £5,623,000 (2020 - a loss of £985,000).

The MDS Estates Limited

## Company statement of financial position

As at 31 October 2021

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: 22 June 2022

The notes on pages 28 to 72 form part of these financial statements.

## The MDS Estates Limited

## Company statement of changes in equity

For the year ended 31 October 2021

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 November 2020	320	9,090	9,410
Loss on ordinary activities after taxation	-	(5,623)	(5,623)
Dividends paid and proposed	-	(1,000)	(1,000)
<b>At 31 October 2021</b>	<b>320</b>	<b>2,467</b>	<b>2,787</b>

	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)
<b>At 31 October 2020</b>	<b>320</b>	<b>9,090</b>	<b>9,410</b>

The notes on pages 28 to 72 form part of these financial statements.



**The MDS Estates Limited**  
**Consolidated statement of cash flows**  
**For the year ended 31 October 2021**

	2021 £000	2020 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	33,432	64,253
<b>Adjustments for:</b>		
Amortisation of intangible assets	161	29
Depreciation	2,448	2,297
Goodwill movement	(252)	-
Amounts written off investments	245	481
Profit on disposal of tangible assets	(2,437)	(6,297)
Interest paid	4,393	2,467
Interest received	(26)	(11)
Taxation	21,209	18,669
Stock movement	1,848	(706)
Debtors movements	(2,202)	(57)
Creditor movements	10,452	1,563
Pension liabilities non-cash adjustments	327	298
Pension scheme deficit reduction	(2,978)	(3,115)
Fair value movements of investment properties recognised in P&L	(44,440)	(88,458)
Fair value movements of investments recognised in P&L	(818)	(205)
Fair value movements of financial assets recognised in P&L	(3,848)	2,358
Joint ventures operating profit	(3,032)	176
Associates operating loss	(27)	-
Profit on disposal of investments	(43)	(12)
Income from investments	(252)	(733)
Other income	(451)	-
Income from participating interests	(21)	(19)
Loss on translation	(105)	2
Minority interest	692	517
<b>Net cash generated / (used) in operating activities</b>	<b>14,275</b>	<b>(6,503)</b>

## The MDS Estates Limited

## Consolidated statement of cash flows (continued)

For the year ended 31 October 2021

	2021 £000	2020 £000
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(222)	(110)
Purchase of property and other fixed assets	(15,723)	(4,746)
Sale of property and other fixed assets	13,465	17,161
Purchase of unlisted and other investments	(5,290)	(1,770)
Sale of unlisted investments	2,292	157
Sale of listed investments	12	1,000
Advance of loans with joint ventures	(6,383)	(4,133)
Interest received	26	11
Investment income received	703	733
Distributions from joint ventures	801	1,039
Income from participating interests	21	19
Repayment of loans from joint ventures	4,681	1,362
<b>Net cash (used) / generated from investing activities</b>	<b>(5,617)</b>	<b>10,723</b>

	2021 £000	2020 £000
<b>Cash flows from financing activities</b>		
New secured loans	-	4,343
Repayment of bank loans	(4,258)	(11,159)
Related party loan received	383	-
Other new loans - Wrenbridge	-	100
New finance leases	-	22
Repayment of finance leases	-	(45)
Dividends paid	(1,000)	(1,000)
Interest paid	(3,921)	(3,468)
Related party interest	(72)	-
Dividends paid to non-controlling interests	(90)	(75)
Preference dividends paid	(4)	(4)
Tax paid by joint ventures	-	(230)
Foreign tax paid	(198)	-
Receipts for surrendered tax losses	171	281
<b>Net cash used in financing activities</b>	<b>(8,989)</b>	<b>(11,235)</b>

## The MDS Estates Limited

## Consolidated statement of cash flows (continued)

For the year ended 31 October 2021

	2021 £000	2020 £000
Net cash used in operating activities	14,275	(6,503)
Net cash generated from investing activities	(5,617)	10,723
Net cash used in financing activities	(8,989)	(11,235)
<b>Net (decrease) in cash and cash equivalents</b>	<b>(331)</b>	<b>(7,015)</b>

	2021 £000	2020 £000
Cash and cash equivalents at the start of the year	11,672	18,687
Net (decrease) / increase in cash and cash equivalents	(331)	(7,015)
<b>Cash and cash equivalents at the end of the year</b>	<b>11,341</b>	<b>11,672</b>

	2021 £000	2020 £000
<b>Cash and cash equivalents at the end of the year comprises:</b>		
Cash at bank and in hand	11,341	11,672

	2021 £000	2020 £000
<b>Analysis of changes in net debt:</b>		
Cash at bank and in hand	11,216	11,672
Debt due	(74,780)	(79,038)
<b>Cash at bank and in hand</b>	<b>(63,564)</b>	<b>(67,366)</b>

	2021 £000	2020 £000
<b>Reconciliation of net cash to movement in net debt</b>		
(Decrease) in cash for the year	(331)	(7,015)
Cash inflow from decrease in net debt	4,258	6,816
Non cash movement	(125)	1,499
Movement in net debt in year	3,802	1,300
<b>Net debt at 1 November 2020</b>	<b>(67,366)</b>	<b>(68,666)</b>
<b>Net debt at 31 October 2021</b>	<b>(63,564)</b>	<b>(67,366)</b>

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

## The MDS Estates Limited

# Notes to the financial statements

For the year ended 31 October 2021

## 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.

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 2021 during the pandemic over an agreed period in 2022. The directors have prepared cash flow forecasts 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 against the new Private Placement facility 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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 2021.

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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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.



## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 or 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 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in the same period as the related expenditure.

**2.17 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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

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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**2. Accounting policies (continued)****2.18 Finance costs**

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

**2.19 Dividends**

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

**2.20 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income 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.

**2.21 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 Statement of Comprehensive Income 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.

The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

### 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 2021

**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 Statement of Comprehensive Income, 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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 £8.458m (2020: £ 11.561m). 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 can be offset. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**Rural investment properties**

Savills (UK) Limited 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 (UK) Limited, 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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**4. Turnover**

	2021 £000	2020 £000
Commercial property – rental income	5,343	4,244
Commercial property – sale of development property	51,001	14,665
Estate activities	9,651	9,624
Woodlands	15,635	11,420
Other	3,918	2,294
Farming	7,477	6,420
	<u>93,025</u>	<u>48,667</u>

**5. Other operating income**

	2021 £000	2020 £000
Profit on disposal of tangible fixed assets	2,437	6,297
Profit on disposal of fixed asset investments	43	12
Other income	451	-
	<u>2,931</u>	<u>6,309</u>

**6. Operating profit**

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

	2021 £000	2020 £000
Charitable donations	4,269	1,160
Political donations	2	2
Amortisation of intangible assets	161	29
Other rentals - Plant and machinery	109	103
Other rentals - Land and buildings	17	12
Defined contribution pension cost	707	760
Defined benefit pension cost	327	298
Depreciation - owned assets	2,447	2,258
Depreciation - assets under HP	50	39
Gain on revaluation of investment property	43,234	87,850
Gain on revaluation of unlisted investments	-	960
Share of joint venture revaluation	-	(352)
Gain on revaluation of listed investments	818	205



## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**7. Auditors remuneration**

	2021 £000	2020 £000
Fees payable to Group auditor for audit of the Group Subsidiary financial statements	<u>189</u>	<u>171</u>
Fees payable to Group auditor for audit of the Company financial statements	<u>7</u>	<u>7</u>
Fees payable to Group auditor for tax compliance work	116	116
Fees payable to Group auditor for non-audit services	<u>6</u>	<u>-</u>

**8. Employees**

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Wages and salaries	15,237	13,853	3,507	3,680
Social security costs	1,615	1,535	420	441
Cost of defined benefit scheme	327	298	75	118
Cost of defined contribution scheme	707	760	149	197
	<u>17,886</u>	<u>16,446</u>	<u>4,151</u>	<u>4,436</u>

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

	Group		Company	
	2021	2020	2021	2020
Full time employees	316	292	34	22
Part time employees	144	143	13	15
	<u>460</u>	<u>435</u>	<u>47</u>	<u>37</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**9. Directors' remuneration**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Directors' emoluments	1,840	1,807	1,840	1,807
	<u>1,840</u>	<u>1,807</u>	<u>1,840</u>	<u>1,807</u>

During the year retirement benefits were accruing to no director (2020 - nil) in respect of defined benefit pension scheme.

The highest paid director received remuneration of £533,029 (2020 - £581,816).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,000 (2020 - £Nil).

The value of the company's contributions paid to long term incentive plan scheme, in respect of the directors amounted to £91,000 (2020 - £nil).

**10. Income from other fixed asset investments**

	2021	2020
	£000	£000
Income from other fixed asset investments	<u>252</u>	<u>733</u>

**11. Interest receivable**

	2021	2020
	£000	£000
Interest receivable and similar income	<u>26</u>	<u>11</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**12. Interest payable and similar charges**

	2021 £000	2020 £000
Bank interest payable	(3,921)	(1,934)
Interest on loans from related parties	(72)	(95)
Share of joint venture interest	(230)	(227)
Preference shares dividends	(4)	(4)
Interest on finance leases and hire purchase contracts	(1)	-
	<u>(4,228)</u>	<u>(2,260)</u>

**13. Other finance costs**

	2021 £000	2020 £000
Net interest on defined benefit pension scheme	(166)	(207)
	<u>(166)</u>	<u>(207)</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

## 14. Taxation

	2021 £000	2020 £000
UK Corporation tax on profits for the year	(266)	(20)
Adjustments in respect of prior periods	-	(7)
Share of tax of joint ventures	(568)	(230)
Share of tax of joint ventures - Alba	(408)	-
Foreign corporation tax on profits for the year	(198)	-
Receipt for surrender of tax losses	171	281
Total current year tax	<u>(1,269)</u>	<u>24</u>

	2021 £000	2020 £000
Deferred tax		
Origination of reversal of timing differences	(8,449)	(18,185)
Effect of rate change on opening balance	(8,527)	-
Origination of reversal of timing differences – JV's	(96)	(12)
Origination of reversal of timing differences – pension liability	72	(496)
Total deferred tax	<u>(17,000)</u>	<u>(18,693)</u>

	2021 £000	2020 £000
Corporation tax		
Current year tax charge	(1,269)	24
Current year deferred tax charge	(17,000)	(18,693)
Taxation on profit on ordinary activities	<u>(18,269)</u>	<u>(18,669)</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**14. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020 – higher than) the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	55,333	83,439
Tax on profit on ordinary activities at standard corporation tax rate	(10,513)	(15,853)
Effects of:		
Expenses not deductible for tax purposes	(486)	(1,927)
Fixed asset timing differences	861	1,591
Higher rate tax on overseas earning	(198)	-
Not taxable income	1,547	323
Capital gains	(1,378)	(955)
Other taxes	-	(20)
Rate differences	(8,527)	(1,031)
Deferred tax not recognised/utilisation of unrecognised losses	(163)	(836)
Adjustments in respect of prior periods - current tax	-	(7)
Adjustments in respect of prior periods - deferred tax	417	(235)
Receipt for consortium relief	171	281
	<u>(18,269)</u>	<u>(18,669)</u>

**Factors that may affect future tax charges**

The 2021 budget proposal increases the corporation tax rate to 25% from 1 April 2023. The Finance Act 2021 was substantively enacted on 24 May 2021. Deferred tax assets and liabilities at 31 October 2021 have been calculated based on the expected tax rate that will apply to the period in which the asset is realised or liability is settled.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

## 15. Dividends

	2021 £000	2020 £000
Dividends paid	(1,000)	(1,000)
Minority interest dividends paid	(90)	(75)
	<u>(1,090)</u>	<u>(1,075)</u>

## 16. Intangible fixed assets

Group	Farming Quotas £000	Other £000	Negative Goodwill £000	Total £000
Cost				
At 1 November 2020	1,750	231	(4,003)	(2,022)
Additions	152	70	-	222
Disposals	-	-	-	-
<b>At 31 October 2021</b>	<b>1,902</b>	<b>301</b>	<b>(4,003)</b>	<b>(1,800)</b>
Amortisation				
At 1 November 2020	1,658	59	(1,994)	(277)
Provided during the year	141	20	(252)	(91)
On disposal	-	-	-	-
<b>At 31 October 2021</b>	<b>1,799</b>	<b>79</b>	<b>(2,246)</b>	<b>(368)</b>
Net book values				
<b>At 31 October 2021</b>	<b>103</b>	<b>222</b>	<b>(1,757)</b>	<b>(1,432)</b>
At 31 October 2020	92	172	(2,009)	(1,745)

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

## 17. Tangible fixed assets

Group	Heritable property and improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 November 2020	34,372	14,144	1,385	49,901
Additions	3,320	1,706	142	5,168
Disposals	(82)	(1,274)	-	(1,356)
Transfer between categories	(1,381)	-	-	(1,381)
<b>At 31 October 2021</b>	<b>36,229</b>	<b>14,576</b>	<b>1,527</b>	<b>52,332</b>
Depreciation				
At 1 November 2020	6,409	9,913	1,129	17,451
Provided during the year	993	1,348	106	2,447
On disposal	(65)	(1,182)	-	(1,247)
<b>At 31 October 2021</b>	<b>7,337</b>	<b>10,079</b>	<b>1,235</b>	<b>18,651</b>
Net book values				
<b>At 31 October 2021</b>	<b>28,892</b>	<b>4,497</b>	<b>292</b>	<b>33,681</b>
At 31 October 2020	27,963	4,231	256	32,450

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

	2021 £000	2020 £000
Freehold	28,892	27,963

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.

	2021 £000	2020 £000
Group	198	107

During the year the Group charged depreciation amounting to £50,141 (2020 - £39,546) in respect of assets held under finance leases and hire purchase contracts.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**17. Tangible fixed assets (continued)**

Company	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000
Cost			
At 1 November 2020	776	54	830
Additions	10	47	57
Disposals	-	-	-
Transfer from group company	-	-	-
<b>At 31 October 2021</b>	<b>786</b>	<b>101</b>	<b>887</b>
Depreciation			
At 1 November 2020	612	53	665
Provided during the year	129	11	140
On disposal	-	-	-
Transfer from group company	-	-	-
<b>At 31 October 2021</b>	<b>741</b>	<b>64</b>	<b>805</b>
Net book values			
<b>At 31 October 2021</b>	<b>45</b>	<b>37</b>	<b>82</b>
At 31 October 2020	164	1	165

**18. Investment property**

	2021 £000	2020 £000
<b>Freehold investment property at valuation</b>		
At 1 November 2020	291,100	212,847
Additions	10,555	1,069
Disposals	(10,920)	(10,476)
Gain on revaluation	43,234	87,850
Transfer between categories	1,381	(190)
<b>At 31 October 2021</b>	<b>335,350</b>	<b>291,100</b>



## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**18. Investment property (continued)**

Commercial properties within the Group's investment portfolio with a historical cost of £84,315,130 (2020 - £77,347,250) were revalued to market value as at 31 October 2021 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 £81,090,000 (2020 - £69,539,999). 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 £30,284,308 (2020 - £26,058,352) were revalued to fair value as at 31 October 2021 by Savills (UK) Limited. Their valuation was prepared at Fair Value being "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". The 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
<b>Cost or valuation</b>			
At 1 November 2020	3,705	10,161	13,866
Additions	-	5,244	5,244
Disposals	(12)	(2,440)	(2,452)
Revaluation	818	-	818
<b>At 31 October 2021</b>	<b>4,511</b>	<b>12,965</b>	<b>17,476</b>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**19. Fixed asset investments (continued)****Company investments held at cost**

	2021 £000	2020 £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)**

	2021 £000	2020 £000
Alba Trees plc	514	764
	<u>514</u>	<u>764</u>

**Disclosed as**

	2021 £000	2020 £000
Loans to / (from) group undertakings	514	764
	<u>514</u>	<u>764</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 (Tynec 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
Buccleuch Property (Oxford) Limited	Property Development	England	Ordinary	100%	3

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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
Glenmuckloch Holdings Ltd	Trading	Scotland	Ordinary	100%	13

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

## 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
Queensberry Properties (New Waverley) Ltd	Property Development	Scotland	Ordinary	50%	12
Queensberry Properties (Otago) Ltd	Property Development	Scotland	Ordinary	50%	3
Buccleuch ASP LLP	Property Investment	Scotland	Partnership	50%	3
Kettering Land LLP	Property Development	England	Partnership	25%	3
Shawfair LLP	Property Development	Scotland	Partnership	50%	3
Buccleuch KFI (Ibrox) Ltd	Investment	Scotland	Ordinary	50%	3
Buccmoor Limited Partnership	Development	Scotland	Partnership	32.76%	3
Buccmoor General Partner Ltd	Investment	Scotland	Ordinary	25%	3
Linton Buccleuch (Moore Street) Ltd	Development	England	Ordinary	50%	3
The Berwicks Company	Farming	Australia	Partnership	71%	6
Berwicks Nominees PTY Ltd	Farming	Australia	Partnership	71%	6
Berwicks 2000 Partnership	Farming	Australia	Partnership	54%	6
Queensberry Properties (Otago) 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
<b>Associates</b>					
Clan Bankside LLP	Property Development	England	Partnership	33.3%	1

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 Holdings Ltd.
- 10 Held by Buccleuch Holdings Ltd.
- 11 Held by The MDS Estates Ltd.
- 12 Held by Queensberry Properties Ltd
- 13 Held by Glenmuckloch Restoration Ltd.

The financial year ends of York Investors LLP, Queensberry Properties 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 2021, with the exception of York Investors LLP which is 31 December 2021. The results for these undertakings were consolidated for the year to 31 October and 30 September 2021. For those undertakings consolidated for the year to 30 September 2021, the directors are satisfied that there is no material difference between the figures to 30 September 2021 and those to the reporting date of 31 October 2021.

**Other investments**

	Activity	Country of registration	Class of share	Proportion held capital held
Squarestone Investment Partners (Portugal) LLP	Investment	England	Partnership	8.6%
NL (Pollen) Ltd	Holding	Jersey	Ordinary	22.3%
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%
Clan (Judd Street) Ltd	Investment	England	Ordinary	5.03%
Clan (Guildford) LLP	Development	England	Partnership	20%
Native Land (100GS) Ltd	Investment	England	Ordinary	8.82%
Populous Westside Holdings LLP	Holding	USA	Partnership	7.69%
Baldwin Street Holdings LLP	Holding	USA	Partnership	9.76%
Spring Street Holdings LLP	Holding	USA	Partnership	3.74%

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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
<b>Participating interests</b>				
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
<b>Cost and valuation</b>		
At 1 November 2020	561	3,116
Additions	-	19
Share of results for the year	27	3,032
Share of JV interest	-	(229)
FX movement	-	12
Share of JV tax	-	(567)
Fair value movements	-	1,206
Consolidation adjustment	-	(34)
Dividend paid	-	(800)
<b>At 31 October 2021</b>	<b>588</b>	<b>5,755</b>
<b>Loans</b>		
At 1 November 2020	-	14,224
Advanced in the year	-	6,382
Repaid in the year	-	(4,681)
<b>At 31 October 2021</b>	<b>-</b>	<b>15,925</b>
<b>Group's share of</b>		
Turnover	42	30,092
Fixed assets	-	11,725
Current assets	641	50,724
Liabilities due within one year	(53)	(36,917)
Liabilities due after more than one year	-	(19,777)
<b>Share of net assets</b>	<b>588</b>	<b>5,755</b>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**21. Stocks**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Estate	1,064	1,287	-	-
Farming	4,251	3,852	-	-
Work in progress – development properties	30,739	33,481	-	-
Raw materials	5,528	4,821	-	-
Retail	427	416	-	-
	<u>42,009</u>	<u>43,857</u>	<u>-</u>	<u>-</u>

**22. Debtors – due within one year**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	7,562	5,794	37	121
Amounts owed by group undertakings	-	-	624	933
Other debtors	5,112	4,391	5	7
Tax and social security	1,378	-	550	29
Prepayments and accrued income	1,506	1,789	110	72
	<u>15,558</u>	<u>11,974</u>	<u>1,326</u>	<u>1,162</u>

**23. Debtors – due after more than one year**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Other debtors	1,142	1,147	-	-
Deferred tax asset	2,250	2,197	-	-
Derivatives	210	-	-	-
	<u>3,602</u>	<u>3,344</u>	<u>-</u>	<u>-</u>



## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**24. Creditors – amounts falling due within one year**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans	2,589	1,380	-	-
Overdraft	-	-	1,025	-
Trade creditors	6,241	3,471	494	429
Amounts owed to group undertakings	-	-	2	(6)
Loans from related parties	5,184	6,034	-	-
Other loans	1,233	-	-	-
Corporation tax	513	62	-	-
Tax and social security	434	265	149	156
Obligations under finance leases	57	35	-	-
Other creditors	2,423	4,501	264	264
Accruals and deferred income	24,087	13,411	9,457	4,374
	<u>42,761</u>	<u>29,159</u>	<u>11,391</u>	<u>5,217</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. Post year end, following the refinancing, this security was released.

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. Post year end, following the refinancing, this security was released.

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). Post year end, following the refinancing, this security was released.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans	72,191	77,658	-	-
Net obligations under finance leases	5	29	-	-
Share capital treated as debt	100	100	100	100
Accruals and deferred income	670	377	-	-
Derivatives	2,356	5,994	-	-
	<u>75,322</u>	<u>84,158</u>	<u>100</u>	<u>100</u>

**26. Maturity of bank loans and overdrafts**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Amounts repayable within one year	2,589	1,380	-	-
Amounts repayable in one to two years	1,638	5,180	-	-
Amounts repayable in two to five years	54,836	34,254	-	-
Amounts repayable in five years or more	15,717	38,224	-	-
	<u>74,780</u>	<u>79,038</u>	<u>-</u>	<u>-</u>

In December 2020 part of the Group's debt was refinanced. The Group at year end had a £70m Revolving Credit Facility available, of which £10m is multi-currency. Following year-end the Group refinanced and obtained a new Private Placement Funding agreement. All existing debt was repaid.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**27. Financial instruments**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
<b>Financial assets</b>				
Financial assets measured at fair value through profit and loss	210	-	-	-
Financial assets that are debt instruments measured at amortised cost	25,033	23,003	666	1,591
	<u>25,243</u>	<u>23,003</u>	<u>666</u>	<u>1,591</u>

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(114,774)	(106,968)	(11,340)	(5,167)
Financial liabilities measured at fair value through profit and loss	(2,356)	(5,994)	-	-
	<u>(117,130)</u>	<u>(112,962)</u>	<u>(11,340)</u>	<u>(5,167)</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. Post year end, following the refinancing, all Swap's were settled.

**28. Financial instruments**

As at 31 October 2021 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 £2,355,770 (2020 - £5,993,827) and an asset for £209,879 (2020 - £nil). The Company uses variable fixed interest rate swaps to manage its exposure to cash flow risk arising from floating rate liabilities.

Post year end, following the refinancing, this hedge was settled.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**29. Deferred taxation**

	2021 £000	2020 £000
<b>Group</b>		
At beginning of year	(27,000)	(8,763)
Charged to profit and loss	(17,000)	(18,692)
Charged to other comprehensive income	(155)	455
At end of year	<u>(44,156)</u>	<u>(27,000)</u>

	2021 £000	2020 £000
<b>The provision for deferred taxation is made up as follows:</b>		
Revaluation of properties and investments	(52,053)	(32,983)
Tax losses carried forward	7,710	5,323
Pension surplus	2,115	2,197
Pension spreading	135	-
Recognition of rolled over gains	(1,787)	(1,358)
Alba Trees plc deferred tax	(276)	(179)
	<u>(44,156)</u>	<u>(27,000)</u>

	2021 £000	2020 £000
<b>Comprising:</b>		
Asset – due after one year	2,250	2,197
Liability	(46,406)	(29,197)
	<u>(44,156)</u>	<u>(27,000)</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**30. Share capital**

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
<b>Shares classified as equity</b>				
Allotted, called up and fully paid				
320,000 Ordinary shares of £1 each	320	320	320	320
<b>Shares classified as debt</b>				
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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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. 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 2020, 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 2021 of £46,826,339 (2020 - £49,780,574). Post year end, following the refinancing, this security was released.

**33. Capital commitments**

At 31 October 2021 the Group and Company had capital commitments as follows:

The company has contracted to commit a further £85,157 (2020: £273,483) into Clan Bankside Quarter(UK) Ltd, a further £297,033 (2020: £297,033) into Clan (Regent House) LLP, a further £2,131,039 (2020: £2,177,829) into Native Land (Kensington) Limited, a further £4,520,000 (2020: £nil) into Clan (Guildford) LLP, a further £559,424 (2020: £nil) into Clan (Judd Street) Limited, a further £900,146 (2020: £nil) into Native Land (100GS) Limited, a further \$nil (2020: \$528,822) into Flowery Branch Holdings LLP, a further \$nil (2020: \$884,844) into G State Dobbs Holdings LLP, a further \$825,000 (2020: \$nil) into Populous Westside Holdings LLP, and a further \$285,981 (2020: \$nil) into Spring Street Holdings LLP as at 31 October 2021.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**33. Capital commitments (continued)**

The company 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 guarantees referred to above is shared equally. Post year end, this guarantee has been released.

The company 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 company 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 company 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 company 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.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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 2021 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 2020 by the payment of annual contributions of £1,109,400 in respect of the deficit. In addition, further contributions were made following asset disposals. 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 12.3% of pensionable pay for Directors & Senior Staff and 5.5% 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 £41,091,000 (2020: £38,181,000) and the actuarial value of the assets was sufficient to cover 83% (2020: 77%) of the benefits that had accrued to members. The liability arising from the scheme amounts to £49,549,000 (2020: £49,742,000). The scheme deficit of £8,458,000 and a related deferred tax asset of £1,607,020 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.

	2021 £000	2020 £000
<b>Reconciliation of present value of plan liabilities:</b>		
At the beginning of the year	49,742	46,877
Current service cost	281	298
Gain on curtailments	46	-
Interest cost	831	930
Actuarial gains	1,844	2,668
Contributions	52	61
Benefits paid	(3,247)	(1,092)
At the end of the year	<u>49,549</u>	<u>49,742</u>



## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**34. Pension commitments (continued)**

	2021 £000	2020 £000
<b>Reconciliation of present value of plan assets:</b>		
At the beginning of the year	38,181	35,337
Interest income	665	723
Actuarial gains	2,462	37
Contributions	3,030	3,176
Benefits paid	(3,247)	(1,092)
At the end of the year	<u>41,091</u>	<u>38,181</u>
	2021 £000	2020 £000
<b>Composition of plan:</b>		
Fair value of plan assets	41,091	38,181
Present value of plan liabilities	(49,549)	(49,742)
Net pension scheme liability	<u>(8,458)</u>	<u>(11,561)</u>
	2021 £000	2020 £000
<b>Amounts recognised in profit or loss are as follows:</b>		
Current service costs	281	298
Interest on obligation	166	207
Gain on curtailments	46	-
Total	<u>493</u>	<u>505</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**34. Pension commitments (continued)**

	2021 £000	2020 £000
<b>Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income:</b>		
Actual return less interest income included in net interest income	2,462	37
Experience gains and losses arising on the scheme liabilities	121	88
Changes in assumptions underlying the present value of the scheme liabilities	(1,965)	(2,756)
<b>Total</b>	<b>618</b>	<b>(2,631)</b>

	2021 %	2020 %
<b>Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):</b>		
Discount rate	1.80	1.70
Future salary increases	3.70	3.20
Pension increases in payment (capped at 5% pa)	3.70	3.20
Pension increases in payment (capped at 2.5% pa)	2.95	2.50
Inflation (RPI)	3.70	3.20

	2021 %	2020 %
<b>The mortality assumptions adopted at 31 October 2021 imply the following life expectancies on retirement at age 65:</b>		
Retiring today		
Male	21.5	19.90
Female	23.3	23.10
Retiring in 20 years		
Male	22.8	21.30
Female	24.8	24.70

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**34. Pension commitments (continued)**

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Amounts for the current and previous four periods are as follows:					
Defined benefit obligation	(49,549)	(49,742)	(46,877)	(40,977)	(41,765)
Scheme assets	41,091	38,181	35,337	29,422	30,213
Deficit	<u>(8,458)</u>	<u>(11,561)</u>	<u>(11,540)</u>	<u>(11,555)</u>	<u>(11,552)</u>

The best estimate of contributions to be paid by the company to the scheme for the period commencing 1 November 2022 is £1,341,978 (2021: £1,394,500)

	2021 £000	2020 £000
<b>Assets:</b>		
Bonds	10,688	9,863
Diversified growth	30,199	25,497
Cash	204	2,821
Total	<u>41,091</u>	<u>38,181</u>

**35. Commitments under operating leases**

	2021 £000	2020 £000
At 31 October 2021 the Group had future minimum lease payments under non – cancellable operating leases as follows:		
Not later than 1 year	53	109
Later than 1 year and not later than 5 years	8	127
Later than 5 years	-	-
Total	<u>61</u>	<u>236</u>

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**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	2021	2020
			£	£
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Net recharge of costs	96,433	62,517
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Woodlands payments	64,013	90,799
Lord John Scott	Director	Maintenance costs	3,771	2,855
Lord Damian Scott	Director	Maintenance costs	1,183	6,240
The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Net recharge of costs	1,030,136	739,169
The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Donations	(4,000,000)	(845,000)
The Earl of Dalkeith	Director	Recharge of costs	24,321	17,125
The Earl of Dalkeith	Director	Interest	(82,941)	(95,431)
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Solum ground rent	-	5,392
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Timber	(107,984)	(173,640)
Tibbers Trust	Directors of the Company are Trustees of the Trust	Commission	1,400	-
The Crawick Multiverse Trust	Directors of the Company are Trustees of the Trust	Recharge of costs	-	146

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**36. Related party transactions (continued)**

Clonhie Deer Partnership	Partnership	Fencing investment	18,922	2,360
Alba Trees plc	Joint venture	Purchase trees	(629,432)	(421,661)
Alba Trees plc	Joint venture	Loan advanced	-	(514,290)
Borders Farming P'ship	Partnership	Recharge of costs	(2,226)	2,793
Borders Farming P'ship	Partnership	Management fee	15,000	15,000
Caique Publishing	Common director	Purchase	(40,000)	(40,000)
Queensberry Properties Limited	Joint Venture	Loan (repayment)	1,272,088	2,918,411
iMpeC Real Estate Limited	Joint Venture	Loan advance	(99,750)	45,750
Touch Shenstone Limited	Joint Venture	Loan advance	10,499	13,050
Kettering Land LLP	Joint Venture	Loan advance	457,172	-
The Ely Cloisters Estate Limited	Joint Venture	Loan advance	700,000	-
Argon Property Development Solutions Limited	Joint Venture	Loan advance	100,000	-
Shawfair LLP	Joint Venture	Loan (repayment)/advance	(738,851)	512,497

The following balances were due from/(to) related parties at 31 October 2021:

Related Party	Relationship	Nature of transactions	2021	2020
			£	£
The 10th Duke of Buccleuch and 12th Duke of Queensberry KT KBE FRSE DL	Director	Current debtor	116,909	30,267
The Executors of the 9th Duke of Buccleuch Property Trust	Directors of the Company are Trustees of the Trust	Current debtor	15,267	17,924
Lord Damian Scott	Director	Current debtor	201	-

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

## 36. Related party transactions (continued)

The Buccleuch Living Heritage Trust	Directors of the Company are Trustees of the Trust	Current debtor	7,021	110,130
The Earl of Dalkeith	Director	Loan balance	(5,184,000)	(5,184,000)
The Earl of Dalkeith	Director	Current debtor	2,831	1,320
Alba Trees plc	Joint venture	Current creditor	(31,578)	-
Alba Trees plc	Joint venture	Loan	514,290	514,290
Borders Farming P'ship	Partnership	Current debtor	-	320
Clonhie Deer Partnership	Partnership	Fencing investment	22,706	-
Queensberry Properties Limited	Joint Venture	Loan	8,083,080	6,810,992
Hanwood Park LLP	Joint Venture	Loan	6,634,395	6,634,395
iMpeC Real Estate Limited	Joint Venture	Loan *	-	99,750
	Joint Venture	Loan *		
Touch Shenstone Limited			72,799	62,300
Kettering Land LLP	Joint Venture	Loan advance	553,928	-
The Ely Cloisters Estate Limited	Joint Venture	Loan advance	700,000	-
Argon Property Development Solutions Limited	Joint Venture	Loan advance	100,000	-
Shawfair LLP	Joint Venture	Loan	86,252	825,104

\*Note this amount is fully provided against

The Duke of Buccleuch and Queensberry KT KBE FRSE DL, a Trustee of The Buccleuch Living Heritage Trust, is a director of The MDS Estates Limited, The Buccleuch Estates Limited, The Boughton Estates Limited and Buccleuch Recreational Enterprises Limited. The Buccleuch Estates Limited, The Boughton Estates Limited and Buccleuch Recreational Enterprises Limited are wholly-owned subsidiaries of The MDS Estates Limited, the ultimate holding company of that Group.

During the year, a premises lease was executed between The Buccleuch Living Heritage Trust and The Buccleuch Estates Limited (as landlord). The effect of the lease is that for the period from 1 July 2020 to 29 June 2039, The Buccleuch Living Heritage Trust shall lease from the landlord defined rooms and other areas within Drumlanrig Castle and will have a non-exclusive right of use of other defined areas of Drumlanrig Castle and Drumlanrig Park. The annual rental for this lease shall be set at a peppercorn value of £1 per annum, payable annually in advance. The Buccleuch Living Heritage Trust shall also be invoiced by the landlord for service charge costs, payable quarterly in arrears. The Buccleuch Living Heritage Trust is thereby obligated to maintain the internal areas of the leased properties for the term of the lease.

During the year, The Buccleuch Living Heritage Trust received a short-term loan of £2,000,000 from The MDS Estates Limited. Interest was incurred on the loan at 3%, resulting in an interest charge of £10,000. The loan was fully repaid in the year.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**36. Related party transactions (continued)**

During the prior year, a Business Transfer Agreement was executed between Buccleuch Recreational Enterprises Limited, The MDS Estates Limited and The Buccleuch Living Heritage Trust. The agreement was in relation to the property at Drumlanrig Castle and Gardens. It was agreed to transfer certain operations, including house opening and touring activities, from Buccleuch Recreational Enterprises Limited to The Buccleuch Living Heritage Trust, with effect from the date of transfer of 1 May 2020. The MDS Estates Limited have undertaken as part of the agreement to guarantee Buccleuch Recreational Enterprises Limited in regard to the existing pension liability, and also undertaken to provide The Buccleuch Living Heritage Trust with an indemnity from and against any losses incurred, suffered or sustained by The Buccleuch Living Heritage Trust arising out of the pension liability. Subsequent to the transfer, The Buccleuch Living Heritage Trust have undertaken to conduct the business in substantially the same way as the business had hitherto been conducted by Buccleuch Recreational Enterprises Limited. The consideration paid for this transfer was that The Buccleuch Living Heritage Trust shall assume the liabilities and obligations of Buccleuch Recreational Enterprises Limited under any outstanding agreements.

**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 £1,839,650 (2020 - £1,806,989).

**37. Controlling party**

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

**38. Post balance sheet event**

Post year end on 24 November 2021, the Group successfully concluded an unsecured Private Placement, locking in a long term source of funding with a blended maturity of c32 years at a fixed cost of debt.

## The MDS Estates Limited

## Notes to the financial statements (continued)

For the year ended 31 October 2021

**39. 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 2021, 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 (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
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
Buccleuch Property (Basingstoke) Ltd	13759771
Buccleuch Property (Oxford) Limited	13533647