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# The Buccleuch Estates Limited
Consolidated financial statements
For the year ended 31 October 2014

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SCT 16/05/2015 #306
COMPANIES HOUSE

**Company No. SC012615**

# Officers and professional advisers

| | |
|---|---|
| **Company registration number** | SC012615 |
| **Registered office** | Head Office<br>Weatherhouse<br>Bowhill<br>SELKIRK<br>TD7 5ES |
| **Directors** | The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL<br>The Duchess of Buccleuch and Queensberry<br>The Earl of Dalkeith<br>J R K Glen<br>B Higgins<br>Lord Damian Scott<br>Lord John Scott<br>P M Walsh |
| **Secretary** | M J McGrath |
| **Bankers** | The Royal Bank of Scotland plc.<br>36 St Andrew Square<br>EDINBURGH<br>EH2 2YB<br><br>HSBC Bank plc.<br>13 Parliament Street<br>YORK<br>YO1 8XS |
| **Solicitors** | Anderson Strathern LLP<br>1 Rutland Court<br>EDINBURGH<br>EH3 8EY |
| **Auditor** | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>95 Bothwell Street<br>GLASGOW<br>G2 7JZ |

# Contents

# Strategic report

The political climate in Scotland during 2014 was dominated by the Scottish independence referendum and although there was a decisive result in favour of remaining within the UK the issue does not appear to be resolved. Focus has now shifted to delivery on the enhanced devolution of powers promised during the campaign, but these are unlikely to satisfy those who wished for independence.

In the pre-referendum climate, much emphasis was placed by the two main political parties in Scotland on the subject of social justice and much of this rhetoric is set to continue, through the forthcoming UK election and on to the Scottish election in 2016. The subject of 'land reform' is an historic theme which left-leaning parties in Scotland are keen to promote as evidence of their social justice credentials, even if the reality is much more complex.

While the broader UK economic outlook looks to be improving, political instability continues to hinder progress in Scotland. Events further afield from the UK which are likely to impact Buccleuch, include the knock-on impact of a lower oil price on energy policy and the weakness of the euro as it translates into agricultural support.

We have been developing a Whole Estate Development Plan (WEDP), which seeks to provide an analytical framework to make better land use choices, based on economic, community and environmental factors affected by decisions. It also provides a vehicle with which to engage with stakeholders at local, regional and national levels.

Against this backdrop, we have made good progress in each of our three major business sectors; commercial property, energy and hospitality and tourism. In summary, Buccleuch achieved a profit of £388,000 alongside debt reduction of £13 million to £137m, and net asset growth of £9m to £123m.

**Commercial Property**
Capital values increased in both prime and secondary investment markets, with a particular shortage of the former for institutional buyers (arguably driving yields too low in some areas) and a re-balancing of secondary markets to reflect improving occupier markets and the availability of debt. Likewise, the shortage of new accommodation in key markets (primarily in London, the major regional office markets and industrial nationwide) is driving the development sector to react and generating stronger interest in speculative funding for the right projects.

In terms of financial performance, the group's investment portfolio appreciated in capital value by £4.2m (an average increase of 3.5%) and the return on capital employed of the investment portfolio outperformed its target benchmark. We disposed of a number of mature investment properties; in particular the sale of Aberdeen Science Parks in August 2014 was a well-timed, material contributor to the financial performance. In addition, we realised some strong land receipts from the development portfolio.

Looking ahead strategically, our primary objective remains the same: to trade mature assets and reinvest opportunistically in a managed balance between the investment and development sectors across all property asset classes. Further returns of equity and profit from the projected realisation of investments in the year ahead, will improve the Group's cash position; and two major strategic land opportunities, at Kettering and Shawfair (near Edinburgh), with over 10,000 consented new homes, are regaining

# Strategic report (continued)

momentum after a period of inertia. This should present further opportunities for land receipts. The main challenge remains the identification of good quality new investment opportunities.

### Energy

Buccleuch's energy division continues to develop its plans within the renewables sector; generation technologies under review include wind, pump storage hydro, solar and anaerobic digestion. Our project pipeline has the potential to deliver 500 to 700MW of power; detailed assessment is being undertaken, in collaboration with a number of industry leaders.

One noteworthy success has been the progress made at Glenmuckloch, with the agreed opencast mine restoration, alongside plans for the future development of the site as a renewable energy park.

Prospects for the Group's hydrocarbon resource projects have been impacted by falling oil and coal prices, as well as the current political unwillingness to support unconventional gas opportunities.

### Hospitality and tourism

After maintaining a steady number of visitors in 2012 and 2013, 2014 saw this trend continue with a consistent footfall throughout the season. Our events calendar grew with the addition of Horse Trials at Dalkeith Country Park and a new music festival at Drumlanrig Castle. The group travel market also saw strong growth in the volume of pre-booked tours, which is set to increase further in 2015.

Looking forward, we have a strong events calendar confirmed. The development of a family-focused, retail, catering, and leisure facility at Dalkeith Country Park is well underway and set to launch next spring encouraging significant growth in visitor numbers in 2015/2016.

### Conclusion

Despite the difficult political climate in Scotland, the business is well positioned to deliver on some exciting opportunities, which will make a significant contribution to the business, the communities in which we operate, and the stewardship of the natural resources for which we are responsible.

In conclusion, I wish to express the warm thanks of the Board to John Glen and his teams at every level for successfully meeting the challenges of an interesting year.

# Strategic report (continued)

### Business review

The directors monitor several Key Performance Indicators on a monthly basis comparing actual figures against those budgeted. The main indicators are:

- Turnover and gross margin
- Commercial and rural property disposals
- Level of investment in both investment and development property projects and investments in joint ventures
- Cash and borrowing levels

### Principal risks and uncertainties

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

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

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The 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 three types of risk, being currency risk, fair value interest rate risk and price risk. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

# Strategic report (continued)

**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 and revaluation reserve balance sheet movements (in the case of the investment portfolio), together with loan to value covenants on those projects involving senior debt, which has an impact on the potential need for additional equity/security.

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

**Liquidity risk**
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The impact of this risk is considerable as the group is reliant on having sufficient liquidity to meet its commitments and liabilities as they fall due, but also to enable the group to recycle equity with a view to re-investing into new projects and growing the business.
The group mitigates this risk by performing cash projections on a monthly basis, quarterly reforecasts and an annual budgeting exercise which enables the group and its ultimate parent undertaking to regularly assess what funding availability exists now and in the future. The group also has strong and long standing relationships with lenders in the real estate market, which adds to the capital base from which the group operates, and financial covenants are regularly reviewed to ensure compliance of existing debt facilities.

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

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

The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL
26 March 2015

# Report of the directors

The directors have pleasure in presenting their report and consolidated financial statements of the company and its subsidiary undertakings for the year ended 31 October 2014.

### Results and dividends

The Group profit for the year after taxation and minority interests was £388,000 (2013 – £31,000). The group proposed and paid dividends in respect of the year totaling £1,002,000 (2013 - £1,014,000).

### Market value of investment properties

Commercial and rural investment properties are included in the financial statements at market value. Details of the movements of tangible fixed assets are shown in note 12 to the financial statements.

### Market value of heritable properties

Heritable properties are included in the financial statements at their historic cost less accumulated depreciation in accordance with the Group's accounting policies. The directors are of the opinion that the market value of these properties is considerably in excess of net book value.

### Employees

The average monthly number employed during the year was 245 full time employees (2013 - 246) and 97 part-time employees (2013 - 82). The group employs a wide range of people and welcomes the contribution which this diversity brings. The group operates best practice Human Resources policies and communication structures designed to meet the needs of Buccleuch.

### Directors

The directors who served the company during the year and up to the date of signing these accounts were as follows:

The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL
The Duchess of Buccleuch and Queensberry
The Earl of Dalkeith
J R K Glen
B Higgins
Lord Damian Scott
Lord John Scott
P J Scott Plummer DL (resigned 7 October 2014)
P M Walsh

# Report of the directors (continued)

**Directors' responsibilities**
The directors are responsible for preparing the Strategic Report and 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 laws). 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
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all 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 auditors are aware of that information.

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.

**Auditor**
A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD

J R K Glen
Director
26 March 2015

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

We have audited the financial statements of The Buccleuch Estates Limited for the year ended 31 October 2014 which comprise the accounting policies, the consolidated profit and loss account, the consolidated statement of total gains and losses, the consolidated statement of historic cost gains and losses, the consolidated and parent company balance sheets, the consolidated cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2014 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.

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

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

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

26/3/15

# Accounting Policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The directors have assessed that the company has adequate resources to meet the on-going costs of the business for a minimum of 12 months from the date of signing the financial statements. This assessment is based on detailed projections and cash flow forecasts prepared by the directors, which show that debts will be able to be paid as they fall due. The directors do not expect this position to change for a minimum of 12 months from the date of signing of the financial statements. Part of the Group's debt facilities mature in May 2015 and a credit backed refinancing offer from the incumbent bank has been provided post year end which will now move towards documentation. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The company's interests in joint ventures and associates are accounted for using the gross equity method. The results of companies acquired or disposed of are included in the profit and loss account after, or up to, the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

### Intangible assets

Purchased intangible fixed assets are initially recorded at cost and depreciated over their useful lives. No amortisation is provided on farming quotas not having a finite useful life, with any permanent diminution in value recognised in the period in which it occurs.

| | | |
|---|---|---|
| Milk quotas | - | length of the quota |
| Single farm payment entitlement | - | over the length of the entitlement |
| Goodwill | - | 10 years |

# Accounting Policies (continued)

## Tangible fixed assets

Tangible fixed assets are originally stated at cost.

*Heritable properties*

Heritable property is recorded at its historical cost except for a certain number of properties which are let to employees at rents which are currently below market level. These properties are treated as a separate class of asset under the provisions of FRS 15 and are shown at valuation, the surplus or deficit arising from the revaluation being transferred to the revaluation reserve.

*Investment properties*

Investment properties are shown at their open market value. The surplus or deficit arising from the annual revaluation is transferred to the revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

This is in accordance with SSAP 19 'Accounting for Investment Properties' which, unlike the Companies Act 2006, does not require depreciation of investment properties. Investment properties are held for their investment potential and not for use by the group and so their current value is of prime importance. In the opinion of the directors, the departure from the provisions of the Act is required in order to give a true and fair view.

## Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---|---|
| Capital improvements | - 25 years |
| Heritable property | - 50 years |
| Leasehold improvements | - the life of the lease |
| Plant and machinery | - 5 years |
| Fixtures, fittings and equipment | - 5 years |
| IT equipment | - 3 years |
| Land is not depreciated | |

## Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on a valuation which approximates to estimated purchase cost or cost of production after making allowances for obsolete and slow moving items and net realisable value on the estimated proceeds of sale less expenses of sale.

# Accounting Policies (continued)

### Work in progress

Work in progress is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Costs represent direct materials plus attributable overheads and finance charges incurred in development.

### Turnover

The turnover shown in the profit and loss account represents amounts earned during the year. It is the policy of the Group in relation to property sales to recognise turnover on the irrevocable exchange of terms between the seller and the purchaser.

### Rental and service charge income

Commercial investment property rental, service charge income and rental income from traditional estate properties is accounted for as the income is earned.

### Investments

Fixed asset investments are stated at cost less any provision for permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

Certain subsidiary undertakings have invested in farming partnerships and the investment represents the amount of fixed capital contributed by these subsidiary undertakings together with balances on partnership current accounts.

### Pensions

The majority of the employees of the group companies are members of a group pension scheme. Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Contributions payable to the defined contribution scheme are charged to the profit and loss account in the period in which they are incurred.

### Negative goodwill

Negative goodwill arising on consolidation reflects the amount by which the fair value of the net assets of certain subsidiary and joint venture interests exceeds the fair value of the consideration paid on acquisition by the company of these interests. Negative goodwill is recognised in the profit and loss account in the years in which the company's investments in subsidiaries and joint ventures are recovered whether through impairment or disposal.

# Accounting Policies (continued)

### Positive goodwill

Goodwill represents the excess of the cost of acquisition over the aggregate fair value of the separable net assets acquired. Goodwill is amortised through the profit and loss account on a straight line basis over its estimated useful life of 10 years. Any impairment is written off to the profit and loss account in the year in which it is identified by the directors.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

> Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.
>
> Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

### Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

# Accounting Policies (continued)

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Foreign currencies

Foreign currency assets are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. All differences are taken to the profit and loss account, except those arising on the net investment in foreign enterprises, these being taken directly to reserves.

### Government grants

Government grants on capital expenditure are treated as deferred income and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants of a revenue nature are credited to income in the period to which they relate.

### Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. 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.

# Consolidated profit and loss account

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Turnover – (including share of joint ventures)** | | **49,800** | 43,163 |
| Less: share of joint ventures | | **(11,873)** | (12,170) |
| **Group turnover** | | **37,927** | 30,993 |
| **Cost of sales** | | **(23,875)** | (17,646) |
| **Write up/(impairment) of work in progress** | | **2,036** | (333) |
| **Gross profit** | 1 | **16,088** | 13,014 |
| **Other operating charges** | | **(15,505)** | (14,419) |
| **Group operating profit / (loss)** | 2 | **583** | (1,405) |
| Share of joint ventures' operating profit | | **4,192** | 5,757 |
| Share of associates' operating profit | | **907** | 271 |
| **Total operating profit of the group, joint ventures and associates** | | **5,682** | 4,623 |
| Diminution in value of investment properties/investments | | **(1,216)** | (1,019) |
| Permanent impairment of investment properties | | **(768)** | - |
| Permanent impairment of investment properties in undertakings in which the group has a participating interest | | **(239)** | (69) |
| Impairment of fixed assets | | **-** | (140) |
| Loss on retranslation | | **(123)** | (37) |
| Profit on disposal of investments | | **1,497** | 2,028 |
| Profit on disposal of fixed assets | | **5,190** | 1,396 |
| Income from participating interests | | **7** | 16 |
| Income from other fixed asset investment | 5 | **113** | 991 |
| Interest receivable and similar income | 6 | **11** | 149 |
| Interest on preference shares | | **(27)** | - |
| Interest payable and similar charges | 7 | **(8,402)** | (8,511) |
| **Profit/(loss) on ordinary activities before taxation** | | **1,725** | (573) |
| Taxation | 8 | **(1,015)** | 971 |
| **Profit on ordinary activities after taxation** | | **710** | 398 |
| Equity minority interests | 9 | **(322)** | (367) |
| **Profit for the financial year** | | **388** | 31 |

All of the activities of the group are classed as continuing.
The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

# Consolidated statement of total recognised gains and losses

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Profit for the financial year | **388** | 31 |
| Net surplus on revaluation of investment property | | |
| - Group | **8,244** | 3,307 |
| - Joint Ventures | **784** | 335 |
| Currency translation differences on foreign currency net investments | **(114)** | (225) |
| Actuarial profit/(loss) in pension scheme | **897** | (566) |
| Movement on deferred taxation relating to pension liability | **(179)** | 119 |
| **Total recognised gains since last report** | **10,020** | 3,001 |

# Consolidated statement of historic cost gains and losses

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation | **1,725** | (573) |
| Realisation of property revaluation gains of previous years | **612** | 1,651 |
| Historical cost profit on ordinary activities before taxation | **2,337** | 1,078 |
| **Historical cost profit for the year retained after taxation and minority interests** | **1,000** | 1,682 |

# Consolidated balance sheet

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 11 | **80** | 172 |
| Negative goodwill | 11 | **(3,394)** | (3,984) |
| Tangible assets | 12 | **200,395** | 195,345 |
| | | **197,081** | 191,533 |
| Investments | 13 | **13,693** | 18,512 |
| Loans | 13 | **-** | 1 |
| Interests in associates | 14 | **8,753** | 9,564 |
| | | **22,446** | 28,077 |
| Investment in joint ventures | 14 | | |
| Share of gross assets | | **39,964** | 45,038 |
| Share of gross liabilities | | **(26,275)** | (27,714) |
| Share of net assets | | **13,689** | 17,324 |
| Loans to joint ventures | 14 | **6,156** | 6,568 |
| | | **19,845** | 23,892 |
| **Current assets** | | | |
| Stocks | 15 | **30,623** | 31,146 |
| Debtors: amounts falling due within one year | 16 | **14,015** | 11,579 |
| Cash at bank and in hand | | **3,263** | 2,527 |
| | | **47,901** | 45,252 |
| **Creditors: amounts falling due within one year** | 17 | **(88,729)** | (35,806) |
| **Net current (liabilities)/assets** | | **(40,828)** | 9,446 |
| **Debtors: amounts due after one year** | 18 | **2,535** | 2,489 |
| **Total assets less current liabilities** | | **201,079** | 255,437 |
| **Creditors: amounts falling due after more than one year** | 19 | **(70,592)** | (132,803) |
| **Provisions for liabilities** | 20 | **(6,307)** | (7,732) |
| | | **124,180** | 114,902 |
| Minority interests | 9 | **(1,620)** | (1,360) |
| **Net assets** | | **122,560** | 113,542 |

**The accompanying accounting policies and notes form part of these financial statements.**

# Consolidated balance sheet (continued)

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Called-up equity share capital | 22 | **320** | 320 |
| Special reserves | 23 | **5,549** | 5,549 |
| Revaluation reserve | 25 | **84,575** | 76,159 |
| Capital redemption reserve | 26 | **80** | 80 |
| Profit and loss account | 27 | **32,036** | 31,434 |
| **Shareholders' funds** | 28 | **122,560** | 113,542 |

These financial statements were approved by the directors on 26 March 2015 and are signed on their behalf by:

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

J R K Glen

Company number SC012615

# Company balance sheet

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 11 | **69** | 114 |
| Tangible assets | 12 | **79,928** | 73,921 |
| | | **79,997** | 74,035 |
| **Investments** | | | |
| Shares in group undertakings | 13 | **92,885** | 88,505 |
| Loans to group undertakings | 13 | **1,009** | 2,699 |
| Other investments | 13 | **7,555** | 9,441 |
| Other loans | 13 | **-** | 1 |
| | | **101,449** | 100,646 |
| **Current assets** | | | |
| Stocks | 15 | **2,339** | 2,572 |
| Debtors: amounts falling due within one year | 16 | **6,362** | 4,669 |
| Cash at bank and in hand | | **552** | 2,651 |
| | | **9,253** | 9,892 |
| **Creditors: amounts falling due within one year** | 17 | **(47,081)** | (17,887) |
| **Net current liabilities** | | **(37,828)** | (7,995) |
| **Debtors: amounts after one year** | 18 | **2,169** | 2,169 |
| **Total assets less current liabilities** | | **145,787** | 168,855 |
| **Creditors: amounts falling due after more than one year** | 19 | **(62,594)** | (90,767) |
| **Net assets** | | **83,193** | 78,088 |

# Company balance sheet (continued)

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Called-up equity share capital | 22 | **320** | 320 |
| Special reserves | 23 | **5,545** | 5,545 |
| Revaluation reserve | 25 | **62,604** | 57,878 |
| Capital redemption reserve | 26 | **80** | 80 |
| Profit and loss account | 27 | **14,644** | 14,265 |
| **Shareholders' funds** | 28 | **83,193** | 78,088 |

These financial statements were approved by the directors on 26.3.15 and are signed on their behalf by:

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

J R K Glen

# Consolidated cash flow statement

| | Note | 2014 £000 | 2013 £000 |
|---|---|---|---|
| **Net cash flow from operating activities** | 30(a) | **1,337** | 541 |
| **Returns on investments and servicing of finance** | 30(b) | **726** | (5,437) |
| **Taxation** | 30(c) | **(39)** | (88) |
| **Capital expenditure and financial investment** | 30(d) | **16,850** | 3,769 |
| **Acquisitions and disposals** | 30(e) | **(4,730)** | (6,755) |
| **Equity dividends paid** | 30(f) | **(1,002)** | (1,000) |
| **Net cash inflow / (outflow) before management of liquid resources and financing** | | **13,142** | (8,970) |
| **Financing** | 30(g) | **(19,208)** | 10,535 |
| **(Decrease) / Increase in cash** | 30(h) | **(6,066)** | 1,565 |

**The accompanying accounting policies and notes form part of these financial statements.**

# Notes to the financial statements

## 1 Group turnover and gross profit

Group turnover, which is derived almost entirely from activities within the United Kingdom, represents the amount of goods sold and services provided in the normal course of business as well as revenue grants and excludes intra-group transactions, trade discounts and value added tax. Group turnover is adjusted for deferred income as necessary.

Group turnover and gross profit is attributable to the following classes of activity:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group Turnover** | **Gross Profit** | Group Turnover | Gross Profit |
| | **£000** | **£000** | £000 | £000 |
| Commercial property | **12,957** | **6,500** | 9,604 | 6,345 |
| Estate activities | **11,420** | **6,042** | 9,642 | 4,956 |
| Woodlands | **7,815** | **2,913** | 5,624 | 1,627 |
| Farming | **3,838** | **617** | 4,779 | 610 |
| Management of properties open to the public | **872** | **(440)** | 662 | (634) |
| Energy | **1,025** | **456** | 682 | 110 |
| Total | **37,927** | **16,088** | 30,993 | 13,014 |

# Notes to the financial statements (continued)

## 2 Operating profit/(loss)

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

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Auditor's remuneration | | |
| Audit services – company only | **53** | 53 |
| Audit services – other group undertakings | **157** | 152 |
| Non audit services | **9** | 4 |
| Charitable donations | **72** | 412 |
| Political donations | **27** | 24 |
| Amortisation of intangible assets | **92** | 69 |
| Amortisation of goodwill | **(590)** | - |
| Depreciation of owned assets | **1,041** | 1,284 |
| Depreciation of assets held under finance leases and hire purchase agreements | **129** | 60 |
| Government grants of a revenue nature | | |
| Farming | **(1,686)** | (1,617) |
| Woodlands | **(245)** | (145) |
| Other | **(62)** | (80) |
| Operating leases: | | |
| Plant and machinery | **29** | 18 |
| Land and buildings | **9** | 35 |

Political donations include an amount of £25,000 donated to the Better Together campaign.

## 3 Directors' emoluments

Paid by the holding company:

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Fees | **1,640** | 1,570 |
| Other emoluments (including pension contributions) | **162** | 248 |
| | **1,802** | 1,818 |

Retirement benefits are accruing for three of the directors (2013: five) under defined contribution schemes and for none of the directors (2013: None) under a defined benefit scheme.

The following details apply to the highest paid director:
Paid by the holding company:

| | | |
|---|---|---|
| Fees | **547** | 595 |
| Other emoluments (including pension contributions) | **21** | 21 |
| | **568** | 616 |

# Notes to the financial statements (continued)

## 4 Employees

The average monthly number of employees of the group during the year was made up as follows:

| | 2014 No | 2013 No |
|---|---|---|
| Full time employees | **245** | 246 |
| Part time employees | **97** | 82 |
| | **342** | 328 |

Staff costs during the year amounted to:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Wages and salaries | **10,241** | 8,912 |
| Social security costs | **1,059** | 857 |
| Other pension costs | **2,338** | 2,004 |
| | **13,638** | 11,773 |

## 5 Income from other fixed asset investments

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Listed investments | **102** | 121 |
| Unlisted investments | **11** | 870 |
| | **113** | 991 |

## 6 Interest receivable and similar income

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Group | **5** | 19 |
| Joint ventures | **6** | 130 |
| | **11** | 149 |

# Notes to the financial statements (continued)

## 7 Interest payable and similar charges

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Bank loans and overdrafts | **8,309** | 8,300 |
| Pension scheme finance charge | **93** | 203 |
| Finance charges payable under finance lease and hire purchase agreements | **-** | 8 |
| | **8,402** | 8,511 |
| Split as follows: | | |
| Group | **7,822** | 7,915 |
| Joint Ventures | **580** | 596 |
| | **8,402** | 8,511 |

## 8 Taxation on ordinary activities

(a) Analysis of charge/(credit) in the year

| | 2014 £000 | 2013 £000 |
|---|---|---|
| UK corporation tax on results of the year | **66** | 45 |
| Adjustments in respect of previous years | **(364)** | (375) |
| Share of tax of joint ventures | **918** | 114 |
| Total current tax | **620** | (216) |
| Deferred tax: | | |
| Origination and reversal of timing differences - group | **310** | (920) |
| Origination and reversal of timing differences – rate changes | **85** | 195 |
| Adjustments in respect of previous years | **-** | (30) |
| Total deferred tax | **395** | (755) |
| Tax on profit/(loss) on ordinary activities | **1,015** | (971) |

# Notes to the financial statements (continued)

## 8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge/(credit)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 21.83% (2013: 23.41%). The differences are explained below:-

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Profit/(loss) on ordinary activities before taxation | **1,725** | (573) |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.83% (2013: 23.41%) | **377** | (135) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **2,503** | 3,758 |
| Depreciation in excess of capital allowances | **(276)** | 108 |
| Differences between accounting and taxable profits | **1,339** | (579) |
| Utilisation of tax losses | **(1,107)** | (566) |
| Rate and other tax adjustments | **(7)** | (3) |
| Effects of foreign tax | **(60)** | (98) |
| Adjustments to tax charge in respect of previous periods | **(365)** | (375) |
| Income not taxable | **(3,383)** | (4,180) |
| Tax losses carried forward | **1,599** | 1,854 |
| Current tax charge for the year | **620** | (216) |

(c) Factors that may affect future tax charges

No provision has been made in respect of the revaluation of the group's freehold commercial investment properties to market value. At present, it is not envisaged that any tax will become payable in the foreseeable future.

No provision has been made in respect of the revaluation of the group's freehold rural investment properties. At present, it is not envisaged that any tax will become payable in the foreseeable future as it would be necessary to dispose of a significant number of properties for such a charge to arise, which is not the group's intention.

The UK Corporation tax rate of 21% took effect from 1 April 2014.

Further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include changes to reduce the main rate of corporation tax to 20% from 1 April 2015. As these changes have been substantively enacted at the balance sheet date their effects have been included in these financial statements.

# Notes to the financial statements (continued)

## 9 Minority Interests

| | Equity £000 | Non- Equity £000 | Total £000 |
|---|---|---|---|
| At 1 November 2013 | 1,235 | 125 | 1,360 |
| Profit on ordinary activities after taxation | 322 | - | 322 |
| Dividends paid and proposed | (50) | - | (50) |
| Minority interest reflected through share of JV liabilities | (12) | - | (12) |
| At 31 October 2014 | **1,495** | **125** | **1,620** |

## 10 Profit/(loss) and dividends for the financial year

The profit for the financial year dealt with in the accounts of the parent company was £1,344,000 (2013 – £(7,127,000)).

During the year the group paid a dividend of £1,002,000 (2013 - £1,014,000).

# Notes to the financial statements (continued)

## 11 Intangible fixed assets

### Group

| | Farming Quotas £000 | Other £000 | Total £000 | Negative Goodwill £000 |
|---|---|---|---|---|
| Intangible assets | | | | |
| Cost | | | | |
| At 1 November 2013 | 1,439 | 147 | 1,586 | (4,003) |
| At 31 October 2014 | **1,439** | **147** | **1,586** | **(4,003)** |
| Amortisation | | | | |
| At 1 November 2013 | 1,267 | 147 | 1,414 | (19) |
| Provided during the year | 92 | - | 92 | (590) |
| At 31 October 2014 | **1,359** | **147** | **1,506** | **(609)** |
| Net book values | | | | |
| At 31 October 2014 | **80** | **-** | **80** | **(3,394)** |
| At 31 October 2013 | 172 | - | 172 | (3,984) |

### Company

| | Farming Quotas and Fishing Rights £000 |
|---|---|
| Intangible Assets | |
| Cost | |
| At 1 November 2013 | 342 |
| At 31 October 2014 | **342** |
| Amortisation | |
| At 1 November 2013 | 228 |
| Provided during the year | 45 |
| At 31 October 2014 | **273** |
| Net book value | |
| At 31 October 2014 | **69** |
| At 31 October 2013 | 114 |

# Notes to the financial statements (continued)

## 12 Tangible fixed assets

### Group

| | Investment Properties £000 | Heritable Property and Improvements £000 | Plant and machinery £000 | Fixtures and fittings £000 | Total £000 |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| At 1 November 2013 | 183,963 | 11,951 | 8,750 | 751 | 205,415 |
| Additions | 9,318 | 2,675 | 1,370 | 244 | 13,607 |
| Disposals | (14,755) | (16) | (1,822) | (50) | (16,643) |
| Permanent impairment | (765) | - | - | - | (765) |
| Transfers between categories | 268 | (725) | (20) | - | (477) |
| Revaluation | 8,088 | 154 | - | - | 8,242 |
| At 31 October 2014 | **186,117** | **14,039** | **8,278** | **945** | **209,379** |
| Depreciation | | | | | |
| At 1 November 2013 | - | 3,017 | 6,340 | 713 | 10,070 |
| Transfers between categories | - | (472) | (5) | - | (477) |
| Charge for the year | - | 259 | 862 | 49 | 1,170 |
| On disposals | - | - | (1,734) | (45) | (1,779) |
| At 31 October 2014 | **-** | **2,804** | **5,463** | **717** | **8,984** |
| Net book values | | | | | |
| At 31 October 2014 | **186,117** | **11,235** | **2,815** | **228** | **200,395** |
| At 31 October 2013 | 183,963 | 8,934 | 2,410 | 38 | 195,345 |

Of the investment properties net book value £175,377,000 (2013 – £173,533,000) relates to freehold properties and £10,740,000 (2013 - £10,430,000) relates to long leasehold properties.

# Notes to the financial statements (continued)

## 12 Tangible fixed assets (continued)

**Company**

| | Investment Properties £000 | Heritable Property and Improvements £000 | Plant and machinery £000 | Fixtures and fittings £000 | Total £000 |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| At 1 November 2013 | 68,884 | 4,986 | 1,082 | 141 | 75,093 |
| Additions | 540 | 757 | 496 | 22 | 1,815 |
| Disposals | (130) | (15) | (446) | - | (591) |
| Revaluation | 4,611 | 143 | - | - | 4,754 |
| At 31 October 2014 | **73,905** | **5,871** | **1,132** | **163** | **81,071** |
| Depreciation | | | | | |
| At 1 November 2013 | - | 463 | 588 | 121 | 1,172 |
| Charge for the year | - | 116 | 276 | 7 | 399 |
| On disposals | - | - | (428) | - | (428) |
| At 31 October 2014 | **-** | **579** | **436** | **128** | **1,143** |
| Net book values | | | | | |
| At 31 October 2014 | **73,905** | **5,292** | **696** | **35** | **79,928** |
| At 31 October 2013 | 68,884 | 4,523 | 494 | 20 | 73,921 |

# Notes to the financial statements (continued)

## 12 Tangible fixed assets (continued)

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.

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Group | **583** | 342 |
| Company | **-** | 20 |

During the year the group charged depreciation amounting to £128,901 (2013 - £59,924) in respect of assets held under finance leases and hire purchase contracts.

Commercial properties within the group's investment portfolio with a historical cost of £87,797,255 (2013: £94,754,399) were revalued to market value as at 31 October 2014 through a combination of DTZ Chartered Surveyors and the subsidiary company's directors, who are Members of The Royal Institution of Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual, in the sum of £79,145,000 (2013: £82,380,000). 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.

Rural properties held for letting within the group's investment portfolio with a historical cost of £15,601,826 (2013 - £14,876,001) were revalued to market value as at 31 October 2014 by one of the group's Estate Managers, who is a Member of The Royal Institution of Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual, in the sum of £106,972,746 (2013 - £101,572,449). The net revaluation surplus on the properties is included in the revaluation reserve. The key assumptions and areas of judgement in relation to these valuations are net rental income, being annual rent after an allowance for landlord's costs and years purchase. Years purchase is a factor of the type and length of tenancy in place and the risk factor attaching to this.

## 13 Investments

### (a) Group

| | **Listed** | **Unlisted** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Cost or valuation | | | |
| At 1 November 2013 | 3,910 | 14,602 | 18,512 |
| Additions | 620 | 746 | 1,366 |
| Disposals | (145) | (3,233) | (3,973) |
| Income from participating interest | - | 9 | 9 |
| Repaid in the year | - | (980) | (980) |
| Written down in the year | - | (2,028) | (1,433) |
| Written back in the year | - | 192 | 192 |
| At 31 October 2014 | **4,385** | **9,308** | **13,693** |

# Notes to the financial statements (continued)

## 13 Investments (continued)

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Listed investments - Market value | **7,839** | 7,154 |
| Unlisted investments - Directors' valuation | **9,308** | 14,602 |

In the event of the investments being realised at the stated market value, the potential taxation liability, which has not been provided for, is estimated at £691,000 (2013 - £681,000).

As at 31 October 2014 the group had outstanding commitments totalling £372,000 (2013- £372,000) representing uncalled capital due in respect of the unlisted investments above.

**(b) Company**

| | **Listed** | **Unlisted** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Cost or valuation | | | |
| At 1 November 2013 | 3,910 | 5,531 | 9,441 |
| Additions | 620 | - | 620 |
| Disposals | (145) | (355) | (500) |
| Write down of investment in the year | - | (2,006) | (2,006) |
| At 31 October 2014 | **4,385** | **3,170** | **7,555** |

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Listed investments - Market value | **7,839** | 7,154 |
| Unlisted investments - Directors' valuation | **3,170** | 5,531 |

In the event of the investments being realised at the stated market value, the potential taxation liability, which has not been provided for, is estimated at £691,000 (2013 - £681,000).

As at 31 October 2014 the company had outstanding commitments totalling £372,000 (2013 - £372,000) representing uncalled capital due in respect of the unlisted investments above.

# Notes to the financial statements (continued)

## 13 Investments (continued)

| | 2014 £000 | 2013 £000 |
|---|---|---|
| **Company - shares at cost** | | |
| The Boughton Estates Limited | **25** | 25 |
| Granton Assets Limited | **9** | 9 |
| Scotaus (Holdings) Proprietary Limited | **901** | 901 |
| Buccleuch Properties Limited | **76,290** | 76,290 |
| Clan Bankside | **9,500** | 9,500 |
| Clan Real Estate | **5,221** | 5,221 |
| Buccleuch Woodlands Enterprises Limited | **1,510** | 1,510 |
| Buccleuch Property (Newtown St Boswells) Limited | **3,735** | 900 |
| Buccleuch Recreational Enterprises Limited | **8,500** | 7,200 |
| Glenmuckloch Restoration Limited | **500** | - |
| Less provision for diminution in value | **(13,306)** | (13,051) |
| | **92,885** | 88,505 |

**(c) Loans**

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| **At 1 November 2013** | **1** | **3** | **1** | 3 |
| **Repayments** | **(1)** | **-** | **(1)** | - |
| At 31 October 2014 | - | 3 | - | 3 |

The company and group balances comprise loans with no fixed repayment terms, and others wholly repayable within five years.

# Notes to the financial statements (continued)

## 13 Investments (continued)

### (c) Loans (continued)

| | 2014 | 2013 |
|---|---|---|
| | **£000** | £000 |
| **Company** | | |
| **Loans to/(from)** | | |
| Granton Assets Limited | **(1,336)** | (1,335) |
| Glenmuckloch Restoration Limited | **-** | 113 |
| Pentland | **-** | (1,346) |
| Tarras Park Properties Limited | **1,009** | - |
| Buccleuch Property (Newtown St Boswells) Limited | **-** | 2,586 |
| | **(327)** | 18 |

| | 2014 | 2013 |
|---|---|---|
| | **£000** | £000 |
| Disclosed as: | | |
| Loans to group undertakings | **1,009** | 2,699 |
| Loans from group undertakings (note 17) | **(1,336)** | (2,681) |
| | **(327)** | 18 |

The loans to group undertakings have no fixed dates for repayment. Interest is charged on group loans.

# Notes to the financial statements (continued)

## 13 Investments (continued)

### (d) Details of Subsidiary Undertakings

| Subsidiary Undertakings | Principal Activity | Country of Incorporation or Registration | Class of Shares held | Proportion | Notes |
|---|---|---|---|---|---|
| Buccleuch Properties Ltd | Property Investment & Development | England | Ordinary | 100% | 1 |
| Tarras Park Properties Ltd | Property Investment & Development | England | Ordinary | 100% | 2 |
| The Buccleuch Property Fund | Property Investment | Jersey | Unit Trust | 100% | 3 |
| Buccleuch Property Fund (Hayes) Ltd | Property Investment | Jersey | Ordinary | 100% | 3 |
| Buccleuch Property (Kettering) Ltd | Property Development | England | Ordinary | 100% | 3 |
| Buccleuch Property (Shawfair) Ltd | Property Development | England | Ordinary | 100% | 3 |
| Buccleuch Property (Newcastle 55) Ltd | Property Investment | England | Ordinary | 100% | 3 |
| Buccleuch Property (Tyne Tees) Ltd | Property Development | England | Ordinary | 100% | 3 |
| Buccleuch Property (Moscow) Ltd | Property Investment | Scotland | Ordinary | 58% | 3 |
| Shawfair Park Management Ltd | Property Management | Scotland | Ordinary | 100% | 7 |
| Cheviot Investments Ltd | Property Investment | Scotland | Ordinary | 100% | 2 |
| Buccleuch Property Investment Managers Ltd | Property Management Services | England | Ordinary | 100% | 2 |
| Bemco Developments Ltd | Property Development | Scotland | Ordinary | 100% | 3 |
| Buccleuch Property (Scotch Corner) Ltd | Property Development | Scotland | Ordinary | 81% | 3 |
| Buccleuch Property (SQA) Ltd | Property Development | Scotland | Ordinary | 100% | 3 |
| Buccleuch Property (Sheriffhall South) Ltd | Property Development | Scotland | Ordinary | 91% | 3 |
| Tarras Park Properties (Germany) Ltd | Holding | Scotland | Ordinary | 100% | 3 |
| BQ Farms Ltd | Farming | Scotland | Ordinary | 100% | 1 |
| BQ Farming Partnerships Ltd | Farming | Scotland | Ordinary | 100% | 4 |
| Eckford Farming Ltd | Farming | Scotland | Ordinary | 100% | 4 |
| BQ Farms (South) Ltd | Farming | Scotland | Ordinary | 100% | 4 |
| Langholm Farms Ltd | Farming | Scotland | Ordinary | 100% | 4 |
| Granton Assets Ltd | Investments in farming | Scotland | Ordinary | 80% | 1 |
| Glenmuckloch Restoration Ltd | Trading | England | Ordinary | 100% | 1 |
| Glenmuckloch Minerals Ltd | Trading | England | Ordinary | 100% | 8 |
| Glenmuckloch Renewable Energy Ltd | Trading | Scotland | Ordinary | 100% | 9 |

# Notes to the financial statements (continued)

## 13 Investments (continued)

### (d) Details of Subsidiary Undertakings (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% | 1 |
| Buccleuch Property Developments Ltd | Property Consultancy | 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 Property (Newtown St Boswells) Limited | Property Development | Scotland | Ordinary | 94.92% | 1 |
| Scotaus (Holdings) Proprietary Ltd | Investment | Australia | Ordinary | 100% | 1 |
| Alba Trees plc. | Production of cell-grown plants | Scotland | Ordinary | 60.28% | 1 |
| Tarras Park Properties (Campden Hill) Ltd | Holding Company | England | Ordinary | 100% | 3 |
| Dabton Investments Limited | Holding Company | England | Ordinary | 100% | 3 |
| Pentland Ltd | Property Development | Grand Cayman | Ordinary | 100% | 3 |
| Salters Land Limited | Development | Grand Cayman | Ordinary | 100% | 3 |
| Seagrove Holdings Limited | Holding Company | England | Ordinary | 50% | 3 |
| Drumcork Limited | Holding Company | British Virgin Islands | Ordinary | 80% | 3 |
| Bearworth Investments Inc. | Holding Company | USA | Ordinary | 100% | 3 |

# Notes to the financial statements (continued)

## 13 Investments (continued)

| | | | | | |
|---|---|---|---|---|---|
| **Joint Ventures** | | | | | |
| Clan Real Estate Ltd | Trading | England | Ordinary | 50% | 1 |
| Ledge 853 Ltd | Property Investment | Scotland | Ordinary | 50% | 3 |
| York Investors | Property Development | Scotland | Partnership | 50% | 3 |
| Buccleuch Grant Ltd | Property Investment | Scotland | Ordinary | 50% | 3 |
| The Ely Cloisters Estate Ltd | Property Investment | England | Ordinary | 50% | 3 |
| Alonely SA | Holding | Luxembourg | Ordinary | 50% | 3 |
| Buccleuch Germany GmbH | Holding | Germany | Ordinary | 50% | 3 |
| Buccleuch Germany GmbH and Co. Buccleuch 1KG | Investment | Germany | Ordinary | 50% | 3 |
| Buccleuch Germany GmbH and Co. Buccleuch Zwei KG | Investment | Germany | Ordinary | 50% | 3 |
| Buccleuch Schwabach GmbH | Investment | Germany | Ordinary | 47.4% | 3 |
| Buccleuch Property (Germany) Ltd | Holding | England | Ordinary | 50% | 3 |
| Alledge Brook LLP | Property Development | England | Partnership | 50% | 3 |
| Buccleuch Property (Intercity) Ltd | Property Development | England | Ordinary | 50% | 3 |
| Longrose Buccleuch Management Ltd | Trading | England | Ordinary | 50% | 3 |
| Buccleuch ASP LLP | Property Investment | Scotland | Partnership | 50% | 3 |
| Queensberry Properties Ltd | Property Development | Scotland | Ordinary | 50% | 3 |
| Queensberry Properties (Grange Loan) Ltd | Property Development | Scotland | Ordinary | 50% | 3 |
| Queensberry Properties (Kinnear Road) Ltd | Property Development | Scotland | Ordinary | 50% | 3 |
| Kettering Land LLP | Property Development | England | Partnership | 25% | 3 |
| AIA Berwicks (Partnership) | Farming | Australia | Partnership | 50% | 6 |
| **Associates** | | | | | |
| ¬Clan Bankside LLP | Property Development | England | Partnership | 33.3% | 1 |
| ¬Clan Montrose LLP | Property Development | England | Partnership | 50.1% | 3 |
| ¬Clan Halkin Ltd | Property Development | England | Ordinary | 28.9% | 3 |
| ¬Clan Botolph LLP | Property Development | England | Partnership | 56.2% | 3 |
| ¬Carronbridge Sawmills Ltd | Trading | Scotland | Ordinary | 42.4% | 5 |

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

# Notes to the financial statements (continued)

## 13 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 Woodlands Enterprises Ltd.
6 Held by Scotaus (Holdings) Proprietary Ltd.
7 Held by Buccleuch Property (Shawfair) Ltd.
8 Held by The Boughton Estates Ltd.
9 Held by Glenmuckloch Restoration Ltd.

The financial year ends of York Investors LLP, Buccleuch Grant Limited, Queensberry Properties Limited, Queensberry Properties (Grange Loan) Limited, Queensberry Properties (Kinnear Road) Limited, Seagrove Holdings Limited, Kettering Land LLP and Alledge Brook LLP do not end with that of the company. The financial year ends in respect of these undertakings were 31 March 2014, with the exception of York Investors LLP which is 31 December 2014. The results for these undertakings were consolidated for the year to 30 September 2014. For those undertakings consolidated for the year to 30 September 2014, the directors are satisfied that there is no material difference between the figures to 30 September 2014 and those to the consolidation date of 31 October 2014.

**Other investments**

| | **Activity** | **Country of registration** | **Class of share capital held** | **Proportion held** |
|---|---|---|---|---|
| The Buccleuch and Grant Residential Unit Trust | Investment | Jersey | Unit Trust | 9~99% |
| Moredun LP | Investment | Scotland | Partnership | 933.3% |
| Squarestone Investment Partners (Portugal) LLP | Investment | England | Partnership | 8.6% |
| Clan (CH) LLP | Holding | England | Partnership | 5% |
| Clan (Waldron House) LLP | Holding | England | Partnership | 16.7% |
| Albert Embankment LLP | Development | England | Partnership | 9.7% |
| Sheffield Park Hotel (Property) Ltd | Trading | England | Ordinary | 7.5% |
| Cresta Court Hotel (Property) Ltd | Trading | England | Ordinary | 5% |
| NL (Pollen) Limited | Holding | Jersey | Ordinary | 32.2% |
| Clan PavD LLP | Holding | England | Partnership | 12.5% |
| Clan (Alpha Place) LLP | Holding | England | Partnership | 11.5% |
| Native Land Ltd | Trading | England | Ordinary | 10% |
| Native Land Investment Company Ltd | Investment | England | Ordinary | 10% |
| Five Quarter Energy Holdings Ltd | Holding | England | Ordinary | 8% |

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

# Notes to the financial statements (continued)

## 13 Investments (continued)

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

| | Country of registration | Principal activity | Class of share capital held | Proportion held |
|---|---|---|---|---|
| **Participating interests** | | | | |
| Clan Montrose LLP | England | Development | - | 50.1% |
| Clan Bankside LLP | England | Development | - | 33.3% |
| Clan Halkin Limited | England | Development | Ordinary | 28.9% |
| NL (Pollen) Limited | Jersey | Holding | Ordinary | 30.7% |
| The Buccleuch and Grant Residential Unit Trust | Jersey | Investment | - | 99% |
| Moredun LP | Scotland | Investment | - | 33.3% |
| Carronbridge Sawmills Ltd | Scotland | Trading | Ordinary | 42.4% |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | Capital and reserves 2014 £ | Profit/(loss) for the year 2014 £ |
|---|---|---|
| Clan Montrose LLP | 3,492 | 212 |
| Clan Bankside LLP | 8,361,891 | 772,343 |
| Clan Halkin Limited | 931 | - |
| NL (Pollen) Limited | 6,063,030 | (67,792) |
| The Buccleuch and Grant Residential Unit Trust | 1,212,610 | (193,903) |
| Moredun LP | (343,153) | (96,649) |
| Carronbridge Sawmills Ltd | 386,283 | 87,471 |

# Notes to the financial statements (continued)

## 14 Joint ventures and associates

| | Associates £000 | Joint ventures £000 |
|---|---|---|
| **Cost or valuation** | | |
| At 1 November 2013 | 9,564 | 17,324 |
| Additions | - | 3,000 |
| Disposal of investment | - | (3,637) |
| Share of results for the year | 849 | 5,128 |
| Return of capital | (1,642) | - |
| Exchange rate movement | - | (485) |
| Share of JV tax | - | (1,515) |
| Dividends paid in the year | (18) | (6,921) |
| Share of revaluation surplus during the year | - | 795 |
| At 31 October 2014 | **8,753** | **13,689** |
| **Loans** | | |
| At 1 November 2013 | - | 6,568 |
| Advanced in the year | - | 3,561 |
| Repaid in the year | - | (4,001) |
| Written back in the year | - | 62 |
| Written off in the year | - | (34) |
| At 31 October 2014 | **-** | **6,156** |
| **Group's share of:-** | | |
| Turnover | 10,233 | 11,873 |
| Fixed assets | 251 | 21,121 |
| Current assets | 9,869 | 18,844 |
| Liabilities due within one year | (1,367) | (8,150) |
| Liabilities due after more than one year | - | (18,126) |
| Share of net assets | 8,753 | 13,689 |

# Notes to the financial statements (continued)

## 15 Stocks

| | Group 2014 £000 | 2013 £000 | Company 2014 £000 | 2013 £000 |
|---|---|---|---|---|
| Estate | **689** | 718 | **390** | 385 |
| Farming | **3,467** | 3,036 | **312** | 246 |
| Work in progress | **24,415** | 25,356 | **1,637** | 1,941 |
| Raw materials | **2,052** | 2,036 | **-** | - |
| | **30,623** | 31,146 | **2,339** | 2,572 |

The figure above includes capitalised finance costs amounting to £127,697 (2013: £127,697) of which £nil (2013: £nil) was capitalised during the year. The group wrote back the carrying value of its work in progress during the year by £1,751,563 (2013: write down of £333,244), of which £nil (2013: £nil) related to capitalised interest written off.

## 16 Debtors: amounts falling due within one year

| | Group 2014 £000 | 2013 £000 | Company 2014 £000 | 2013 £000 |
|---|---|---|---|---|
| Trade debtors | **6,037** | 3,720 | **2,767** | 825 |
| Amounts owed by related parties | **-** | 216 | **-** | - |
| Amounts owed by group undertakings | **-** | - | **1,992** | 1,999 |
| Corporation tax | **-** | 21 | **-** | - |
| Other debtors | **3,977** | 3,911 | **167** | 175 |
| Prepayments and accrued income | **4,001** | 3,711 | **1,436** | 1,670 |
| | **14,015** | 11,579 | **6,362** | 4,669 |

# Notes to the financial statements (continued)

## 17 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Bank loans and overdrafts | **58,402** | 11,493 | **30,843** | 2,639 |
| Obligations under finance leases and hire purchase agreements | **137** | 96 | **-** | - |
| Trade creditors | **2,888** | 3,571 | **1,046** | 1,402 |
| Amounts owed to group undertakings | **-** | - | **141** | 312 |
| Deferred grants | **-** | 9 | **-** | - |
| Corporation tax | **41** | - | **-** | - |
| Other taxes and social security costs | **871** | 333 | **1,030** | 160 |
| Other creditors | **2,563** | 2,758 | **512** | 472 |
| Accruals and deferred income | **11,555** | 7,737 | **2,431** | 1,487 |
| Loan from related parties | **12,272** | 9,809 | **9,742** | 8,734 |
| Loans from group undertakings | **-** | - | **1,336** | 2,681 |
| | **88,729** | 35,806 | **47,081** | 17,887 |

## 18 Debtors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Other debtors | **1,316** | 1,270 | **950** | 950 |
| Deferred tax | **1,219** | 1,219 | **1,219** | 1,219 |
| | **2,535** | 2,489 | **2,169** | 2,169 |

The other debtors include £229,204 (2013 - £164,174) of costs in relation to developments for sale.

# Notes to the financial statements (continued)

## 19 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Bank loans and overdrafts | **69,725** | 126,960 | **62,494** | 90,610 |
| Obligations under finance leases and hire purchase agreements | **137** | 125 | **-** | - |
| Accruals and deferred income | **195** | 57 | **-** | 57 |
| Other creditors | **35** | 186 | **-** | - |
| Deferred grants | **190** | 199 | **-** | - |
| Loans from related parties | **-** | 4,966 | **-** | - |
| Shares classed as financial liabilities | **310** | 310 | **100** | 100 |
| | **70,592** | 132,803 | **62,594** | 90,767 |

There are no fixed terms of repayment of group borrowings and interest has been charged at a commercial rate.

Security for the bank and overdraft facilities extended to the group comprises fixed securities on certain properties and bonds and floating charges on the assets of certain of the group's subsidiary undertakings, together with cross guarantees given by certain of those companies. In addition, the holding company has granted a pledge over £3,000,000 of its investment portfolio of marketable securities in favour of The Royal Bank of Scotland plc as additional security for its loans.

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

Maturity of bank loans and overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Amounts repayable in one to two years | **920** | 28,270 | **800** | 800 |
| Amounts repayable in two to five years | **34,472** | 63,557 | **27,361** | 54,677 |
| Amounts repayable in five years or more | **34,333** | 35,133 | **34,333** | 35,133 |
| | **69,725** | 126,960 | **62,494** | 90,610 |

# Notes to the financial statements (continued)

## 19 Creditors: amounts falling due after more than one year (continued)

Maturity of finance leases and hire purchase agreements

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Amounts repayable in two to five years | **137** | 125 | **-** | - |
| | **137** | 125 | **-** | - |

## 20 Provision for liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Deferred tax | **224** | 145 | **-** | - |
| Pension liability | **6,083** | 7,587 | **-** | - |
| | **6,307** | 7,732 | **-** | - |

The movement in the deferred taxation provision during the year was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Provision brought forward | **145** | 22 | **-** | - |
| Charge for the year | **79** | 123 | **-** | - |
| Provision carried forward | **224** | 145 | **-** | - |

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Provided** | **Unprovided** | Provided | Unprovided |
| | **£000** | **£000** | £000 | £000 |
| Excess of taxation allowances over depreciation on fixed assets | **224** | **-** | 145 | - |

# Notes to the financial statements (continued)

## 21 Derivatives

The following table sets out the fair value for those derivatives that have not been included in the financial statements at fair value.

**Derivative financial instruments held to manage interest rates:**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Fair value of interest rate swaps | **(2,904)** | (2,681) | **(2,904)** | (2,681) |

The group's interest rate swaps have been taken out to hedge interest rate risk on bank loans.

## 22 Share capital

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **No of shares** | **£000** | No of shares | £000 |
| **Authorised** | | | | |
| Equity | | | | |
| Ordinary shares of £1 each | **400,000** | **400** | 400,000 | 400 |
| Non-equity | | | | |
| 7% 1st preference non-cumulative shares of £1 each | **50,000** | **50** | 50,000 | 50 |
| 7% 2nd preference non-cumulative shares of £1 each | **50,000** | **50** | 50,000 | 50 |
| | **500,000** | **500** | 500,000 | 500 |
| **Allotted, called up and fully paid** | | | | |
| Equity | | | | |
| Ordinary shares of £1 each | **320,000** | **320** | 320,000 | 320 |
| Non-equity | | | | |
| 7% 1st preference non-cumulative shares of £1 each | **50,000** | **50** | 50,000 | 50 |
| 7% 2nd preference non-cumulative shares of £1 each | **50,000** | **50** | 50,000 | 50 |
| Less shares classed as financial liabilities | **(100,000)** | **(100)** | (100,000) | (100) |
| | **320,000** | **320** | 320,000 | 320 |

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.

# Notes to the financial statements (continued)

## 23 Special reserves

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| Balance at 1 November 2013 and 31 October 2014 | **5,549** | 5,549 | **5,545** | 5,545 |

## 24 Surplus on revaluation of investment properties

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| The revaluation surplus is made up as follows: | | | | |
| Surplus on revaluation of rural properties | **4,851** | 3,021 | **4,754** | 4,451 |
| Surplus on revaluation of commercial properties | **3,393** | 286 | **-** | - |
| Surplus on revaluation of properties within joint ventures and associates | **784** | 335 | **-** | - |
| | **9,028** | 3,642 | **4,754** | 4,4551 |

## 25 Revaluation reserve

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| Balance at 1 November 2013 | **76,159** | 71,776 | **57,878** | 57,227 |
| Realised revaluation (surpluses)/deficits transferred to the profit and loss account | **(612)** | 741 | **(28)** | (910) |
| Revaluation surplus | **9,028** | 3,642 | **4,754** | 1,561 |
| Balance at 31 October 2014 | **84,575** | 76,159 | **62,604** | 57,878 |

# Notes to the financial statements (continued)

## 26 Capital redemption reserve

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| Balance at 1 November 2013 and 31 October 2014 | **80** | 80 | **80** | 80 |

## 27 Profit and loss account

| | Group 2014 £000 | Group 2013 £000 | Company 2014 £000 | Company 2013 £000 |
|---|---|---|---|---|
| Balance at 1 November 2013 | **31,434** | 33,830 | **14,265** | 21,482 |
| Profit/(loss) for the financial year | **388** | 31 | **1,344** | (7,127) |
| Exchange difference on retranslation of net assets of subsidiary undertakings | **(114)** | (225) | **-** | - |
| Realised revaluation surplus/(deficit) transferred from revaluation reserve | **612** | (741) | **28** | 910 |
| Actuarial gain/(loss) on pension scheme | **897** | (566) | **-** | - |
| Movement on deferred taxation relating to pension liability | **(179)** | 119 | **-** | - |
| Dividend paid | **(1,002)** | (1,014) | **(993)** | (1,000) |
| Balance at 31 October 2014 | **32,036** | 31,434 | **14,644** | 14,265 |

# Notes to the financial statements (continued)

## 28 Reconciliation of movements in shareholders' funds

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **£000** | £000 | **£000** | £000 |
| Shareholders' funds 1 November 2012 | **113,542** | 111,555 | **78,088** | 84,654 |
| Profit/(loss) for the year | **388** | 31 | **1,344** | (7,127) |
| Exchange difference on retranslation of net assets of subsidiary undertakings | **(114)** | (225) | **-** | - |
| Actuarial gain/(loss) on pension scheme | **897** | (566) | **-** | - |
| Movement on deferred taxation relating to pension scheme liability | **(179)** | 119 | **-** | - |
| Net surpluses on revaluation of certain property | **9,028** | 3,642 | **4,754** | 1,561 |
| Exchange difference on retranslation of revaluation reserve | **-** | - | **-** | - |
| Dividends paid | **(1,002)** | (1,014) | **(993)** | (1,000) |
| Balance at 31 October 2013 | **122,560** | 113,542 | **83,193** | 78,088 |

## 29 Related party transactions

Related party transactions with 100% owned group undertakings are excluded from the consolidated financial statements and are therefore exempt from disclosure in these financial statements under the provisions of FRS 8 'Related Party Disclosures'.

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

Transactions with The Executors of The 9th Duke of Buccleuch and 11th Duke of Queensberry KT included:

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Rental and other income | **4** | 3 |

During the year various group companies entered into transactions with The Tibbers Trust, of which The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL is a trustee. The group recharged costs of £22,835 (2013 - £nil) to the trust.

# Notes to the financial statements (continued)

## 29 Related party transactions (continued)

During the year Buccleuch Woodlands Limited acted as agent for 9th Duke of Buccleuch Business Property Trust in the operation of its woodlands. The main beneficiary of the Trust is the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE, DL. During the year the turnover with this Trust was £22,358 (2013 -£37,433). Sales on behalf of the Trust were £34,648 (2013 - £70,033). At the year end there was an outstanding debtor of £nil (2013 - £3,126).

The company also acts as agent for the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE, DL. During the year the turnover with these parties was £348 (2013 - £17,011). At the year end there was an outstanding debtor of £417 (2013 - £3,410).

During the year a total of £1,053 (2013 - £nil) in respect of various recharges of costs were levied to the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL and a total of £4,623 (2013 - £3,456) in respect of various recharges of costs were levied from the 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL to Buccleuch Woodlands Limited.

Other transactions between The 10th Duke of Buccleuch and 12th Duke of Queensberry KBE DL and group companies included sales and other recharges of £104,717 (2013 - £85,627).

Recharges made by a group company to Lord Damian Scott relate to sales and other recharges of £2,654, (2013 - £3,765).

Repairs paid to a group company by Lord John Scott amounted to £4,302 (2013 - £7,803).

During the year the group made a charitable donation to The Buccleuch Living Heritage Trust of £57,336 (2013 - £180,000). The group also entered into transactions with the Trust amounting to £144,627 (2013 – £282,423). At the year end The Buccleuch Living Heritage Trust was due to The Buccleuch Estates Limited £23,149, to Buccleuch Recreational Enterprises Limited £31,114. At the year-end Boughton Estates Limited was due to pay The Buccleuch Living Heritage Trust £20,061.

During the year the group made a charitable donation to the Buccleuch Charitable Foundation of £nil (2013 - £207,319).

Immediate family members of individuals who have a beneficial interest in The Buccleuch Estates Limited are owed £12,272,448 at 31 October 2014 (2013: £14,714,590), which £2,530,000 (2013: £5,136,165) relates to loan notes arising out of the Dabton Investments Ltd acquisition in the prior year and £29 (2013: £5,632) of which relates to interest thereon.

# Notes to the financial statements (continued)

## 30 Cash flow statement

(a) Reconciliation of group operating loss to net cash flow from operating activities

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Group operating profit/(loss) – continuing operations | **583** | (1,405) |
| Depreciation and amortisation | **672** | 1,413 |
| FRS 17 adjustment | **(1,196)** | (899) |
| Decrease/(increase) in stock | **523** | (1,619) |
| (Increase)/decrease in debtors | **(2,692)** | 558 |
| Increase in creditors | **3,447** | 2,493 |
| | **1,337** | 541 |

(b) Returns on investments and servicing of finance

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Investment income received | **113** | 122 |
| Interest received | **11** | 11 |
| Distributions from joint ventures and associates | **8,361** | 2,030 |
| Interest element of finance lease rental payments | **-** | (8) |
| Interest paid | **(7,679)** | (7,479) |
| Preference dividends paid | **(27)** | (20) |
| Dividends paid to minority interests | **(53)** | (93) |
| **Net cash inflow / (outflow)from returns on investments and servicing of financing** | **726** | (5,437) |

(c) Taxation

| | 2014 £000 | 2013 £000 |
|---|---|---|
| UK tax paid | **(39)** | (88) |
| | **(39)** | (88) |

# Notes to the financial statements (continued)

## 30 Cash flow statement (continued)

(d) Capital expenditure and financial investment

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Purchase of intangible fixed assets | - | (177) |
| Purchase of commercial properties and other tangible fixed assets | (13,607) | (3,845) |
| Sales of investment property and other tangible fixed assets | 20,055 | 8,942 |
| Purchase of investments | (849) | (3,368) |
| Sale of investments | 3,315 | 3,248 |
| Return of equity from investments and joint ventures | 7,920 | - |
| Loan of investments repaid | - | (1,047) |
| Income from participating interests | 16 | 16 |
| **Net cash inflow from capital expenditure and financial investment** | **16,850** | 3,769 |

(e) Acquisitions

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Purchase of subsidiary undertakings | - | (8,355) |
| (Purchase) / disposal of interests in joint venture | (4,730) | 1,600 |
| **Net cash outflow from acquisitions** | **(4,730)** | (6,755) |

(f) Equity dividends paid

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Equity dividends paid to members of holding company | (1,002) | (1,000) |
| **Net cash outflow for equity dividends paid** | **(1,002)** | (1,000) |

# Notes to the financial statements (continued)

## 30 Cash flow statement (continued)

(g) Financing

| | 2014 £000 | 2013 £000 |
|---|---|---|
| New bank term loans | **15,970** | 10,800 |
| Repayment of bank term loans | **(32,728)** | (16,587) |
| Repayment of joint venture loans | **-** | 7,842 |
| Other loans | **(2,503)** | 8,324 |
| Capital element of finance lease rental payments | **53** | 156 |
| **Net cash (outflow)/inflow from financing** | **(19,208)** | 10,535 |

(h) Analysis of changes in net debt

| | At 1 November 2013 £000 | Cash flows £000 | Other non-cash changes £000 | At 31 October 2014 £000 |
|---|---|---|---|---|
| Cash at bank and in hand | 2,527 | 736 | - | **3,263** |
| Bank overdrafts | - | (6,802) | - | **(6,802)** |
| | 2,527 | (6,066) | - | **(3,539)** |
| Debt due within one year | (11,649) | (52,360) | - | **(64,009)** |
| Debt due after one year | (141,799) | 71,568 | 369 | **(69,862)** |
| **Total** | (150,921) | 13,142 | 369 | **(137,410)** |

(i) Reconciliation of net cash outflow to movement in net debt

| | 2014 £000 | 2013 £000 |
|---|---|---|
| (Outflow)/inflow in cash for the year | **(6,066)** | 1,565 |
| Cash inflow/(outflow) from decrease in net debt and finance leasing | **19,261** | (2,829) |
| Movement in net debt | **13,195** | (1,264) |
| Finance leases | **(53)** | (156) |
| Translation differences | **369** | (275) |
| | **13,511** | (1,695) |
| Net debt at 1 November 2013 | **(150,921)** | (149,226) |
| Net debt at 31 October 2014 | **(137,410)** | (150,921) |

# Notes to the financial statements (continued)

## 31 Pension scheme

The majority of the employees of the group companies are members of the group pension scheme which provides benefits payable to members on their retirement from employment or to their dependents on death before or after retirement. The defined benefit scheme was closed to new members with effect from 4 May 2000. However, a stakeholder compliant group pension scheme providing benefits based on defined contributions has been made available to both new members and members of the defined benefit scheme.

The assets of the scheme are held separately from those of the group.

The pension cost for the group schemes for the year was £2,077,425 (2013 - £2,004,378) based on the following contribution rates as recommended by the actuary:

| | **Company** | Employee |
|---|---|---|
| Members (other than senior staff) | **16.9%** | 4.50% |
| Senior staff | **11.1%** | 10.30% |

In addition from 1 November 2013 further employer contributions of £1,200,000 were paid which represented on average a further 69% of pensionable salaries.

The most recent actuarial valuation of the defined benefit scheme was carried out as at 1 May 2012 and this has been updated to 31 October 2014 by a qualified independent actuary for the purposes of the requirements of Financial Reporting Standard No 17 'Retirement Benefits' (FRS 17). The valuation at 1 May 2012, using projected unit credit funding method, and using a market value of £20,595,000 indicated that the scheme was funded to a level of 65% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of the increases in salaries and pensions. It was assumed that the long term average investment returns would be 5.2% per annum pre-retirement, that pensionable salaries would increase at an average rate of 3.3% per annum and that pensions in payment and deferment would increase at 5% per annum for benefits accruing prior to 1 September 2000 but that limited price indexation would apply to benefits accruing after that date.

In addition the group undertakings pay the expenses associated with the Scheme and the premiums on the insurance policies covering death in service benefits.

# Notes to the financial statements (continued)

## 31 Pension scheme (continued)

The main assumptions used to produce a current value of the defined benefit scheme liabilities at 31 October 2014 for the purposes of FRS 17 were:

- An inflation rate of 3.3% pa (2013 – 3.4%)
- A rate of salary increase of 3.3% pa (2013 – 3.4%)
- Limited price indexation pension increases (capped at 5% pa) of 3.3% pa (2013 – 3.4%)
- Limited price indexation pension increases (capped at 2.5% pa) of 2.5% pa (2013 – 2.5%)
- The rate used to discount scheme liabilities was 4.0% pa (2013 – 4.4%)
- The expected long term rate of return on scheme assets used was 5.2% (2013 – 5.7%)

The defined benefit scheme is now closed to new members and therefore the age profile of active members is rising so that under the projected unit method the current service cost will increase as the members approach retirement.

The underlying mortality assumption is based upon the standard table known as S1PA (2013 – S1PA) on a year of birth usage with lower cohort (2013 - lower cohort) future improvement factors subject to a minimum annual rate of future improvement equal to 0.5% (2013 – 0.5%). The life expectancy of a male member reaching age 65 in 2034 is projected to be 21.9 years (2013 – 21.8 years) compared to 20.4 years (2013 - 20.3 years) for someone reaching 65 in 2014. The life expectancy of a female member reaching age 65 in 2034 is projected to be 25.6 years (2013 – 25.6 years) compared with 24.4 years (2013 – 24.3 years) for someone reaching age 65 in 2014.

The assets of the scheme are held in managed funds operated by P-Solve Investments Limited.

The fair value of the assets of the defined benefit scheme and the rate of return expected from each class of asset for the two years ended 31 October 2014 are as follows:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Value £000** | **Expected rate of return %** | Value £000 | Expected rate of return % |
| Equities and property | **19,748** | **5.90** | 17,770 | 6.30 |
| Gilts and bonds | **6,056** | **3.40** | 5,308 | 3.70 |
| Cash | **526** | **0.50** | - | 0.50 |
| Total | **26,330** | | 23,078 | |

# Notes to the financial statements (continued)

## 31 Pension scheme (continued)

The funding position as at 31 October 2014 was as follows:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Fair value of scheme assets | **26,330** | 23,078 |
| Present value of scheme liabilities | **(33,934)** | (32,682) |
| Deficit in the scheme | **(7,604)** | (9,604) |
| Related deferred tax asset | **1,521** | 2,017 |
| Net pension liabilities | **(6,083)** | (7,587) |

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Analysis of the amount charged to operating loss: | | |
| Current service cost | **(346)** | (358) |
| Expected return on pension scheme assets | **1,331** | 1,072 |
| Interest on pension scheme liabilities | **(1,424)** | (1,275) |
| | **(439)** | (561) |
| Actual return on scheme assets | **2,695** | 1,934 |

Changes in the present value of the scheme liabilities for the year ending 31 October 2014 are as follows:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Present value of scheme liabilities at beginning of the period | **32,682** | 30,646 |
| Service cost | **346** | 358 |
| Employee contributions | **104** | 99 |
| Interest cost | **1,424** | 1,275 |
| Actuarial loss | **467** | 1,428 |
| Benefits paid | **(1,089)** | (1,124) |
| Present value of scheme liabilities at end of the period | **33,934** | 32,682 |

# Notes to the financial statements (continued)

## 31 Pension scheme (continued)

Changes in the fair value of the scheme assets for the year ending 31 October 2014 are as follows:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Market value of scheme assets at beginning of the period | **23,078** | 20,912 |
| Expected return | **1,331** | 1,072 |
| Actuarial gains | **1,364** | 862 |
| Benefits paid | **(1,089)** | (1,124) |
| Contributions paid by the company | **1,542** | 1,257 |
| Employee contributions | **104** | 99 |
| Market value of scheme assets at end of the period | **26,330** | 23,078 |

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL):

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | **1,364** | 862 |
| Experience gains and losses arising on scheme liabilities | **1,872** | (1,978) |
| Changes in assumptions underlying present value of scheme liabilities | **(2,339)** | 550 |
| Actuarial gain/(loss) recognised in STRGL | **897** | (566) |

Cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses (STRGL) for the year ending 31 October 2014 are as follows:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Cumulative actuarial loss at beginning of the period | **(11,359)** | (10,793) |
| Recognised during the period | **897** | (566) |
| Cumulative actuarial loss at end of the period | **(10,462)** | (11,359) |

# Notes to the financial statements (continued)

## 31 Pension scheme (continued)

Movement in deficit during the year:

| | 2014 £000 | 2013 £000 |
|---|---|---|
| Deficit in scheme at beginning of the year | **(9,604)** | (9,734) |
| Expenses recognised in profit and loss | **(439)** | (561) |
| Contributions | **1,542** | 1,257 |
| Actuarial gain/(loss) | **897** | (566) |
| Deficit in the scheme at the end of year | **(7,604)** | (9,604) |

History of experience gains and losses:

| | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 | 2010 £000 |
|---|---|---|---|---|---|
| Present value of scheme liabilities | **(33,934)** | (32,682) | (30,646) | (27,043) | (25,396) |
| Market value of scheme assets | **26,330** | 23,078 | 20,912 | 20,862 | 19,815 |
| Deficit in the scheme | **(7,604)** | (9,604) | (9,734) | (6,181) | (5,581) |
| Actual return less expected return on scheme assets | **1,364** | 862 | (745) | (753) | 1,112 |
| Experience gain/(loss) arising on scheme liabilities | **1,872** | (1,978) | 1,064 | (147) | 590 |
| Change in assumptions underlying the present value of scheme liabilities | **(2,339)** | 550 | (4,415) | (299) | (1,069) |

## 32 Ultimate parent company

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

# Notes to the financial statements (continued)

## 33 Contingent liabilities

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

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

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

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

The directors have signed an unlimited intercompany guarantee in favour of the group's bankers, The Royal Bank of Scotland in respect of the group's global overdraft and debt facility. The company had a total contingent liability at 31 October 2014 of £34,697,672 (2013 - £36,843,158).

## 34 Commitments under operating leases

At 31 October 2014 the group had annual commitments under non-cancellable operating leases as set out below.

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other items** | Land and buildings | Other items |
| | **£** | **£** | £ | £ |
| Operating leases which expire: | | | | |
| In less than one year | **-** | **-** | - | 743 |
| Between one and five years | **10,000** | **7,735** | 10,000 | 7,735 |
| In more than five years | **12,000** | **-** | - | - |
| | **22,000** | **7,735** | 10,000 | 8,478 |

# Notes to the financial statements (continued)

## 35 Capital commitments

At 31 October 2014 the group had capital commitments as set out below.

| | **2014** | 2013 |
|---|---|---|
| | **£000** | £000 |
| Contracted for but not provided in the financial statements | **697,844** | 981,793 |