Company Registration Number: SC179037

Lovat Highland Estates Ltd

Filleted Financial Statements

For the year ended

31 October 2018

C T

Lovat Highland Estates Ltd

Financial Statements

Year ended 31 October 2018

Contents **Page**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Lovat Highland Estates Ltd

Statement of Financial Position

31 October 2018

	Note	2018 £	£	2017 £
Fixed assets				
Tangible assets	5		9,826,911	8,927,448
Investments	6		24,380,780	23,589,021
			34,207,691	32,516,469
Current assets				
Debtors	7	34,019		64,894
Cash at bank and in hand		161,496		148,430
		195,515		213,324
Creditors: amounts falling due within one year	8	9,946,982		9,189,720
Net current liabilities			9,751,467	8,976,396
Total assets less current liabilities			24,456,224	23,540,073
Creditors: amounts falling due after more than one year	9		72,160	91,548
Provisions			2,486,398	2,299,798
Net assets			21,897,666	21,148,727
Capital and reserves				
Called up share capital	11		150,000	150,000
Revaluation reserve			15,720,020	15,114,144
Profit and loss account			6,027,646	5,884,583
Shareholders funds			21,897,666	21,148,727

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of comprehensive income has not been delivered.

These financial statements were approved by the board of directors and authorised for issue on 8 Feb 2019..., and are signed on behalf of the board by:

Iain D Shepherd

I D Shepherd
Director

Company registration number: SC179037

The notes on pages 3 to 10 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Lovat Estates Office, Beauly, Inverness-shire, IV4 7DA.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts.

Creditors

Creditors are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Consolidation exemption

The entity has taken advantage of the option not to prepare consolidated financial statements contained in Section 398 of the Companies Act 2006 on the basis that the entity and its subsidiary undertakings comprise a small group.

Judgements and key sources of estimation uncertainty

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

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Investments in subsidiaries and participating undertakings are remeasured to market value at each balance sheet date. The market value of these investments is based on the company's shareholder proportion of their net assets. The underlying assets of these investments are managed investment portfolios.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

3. Accounting policies *(continued)*

Depreciation

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

Motor vehicles	-	25% reducing balance (new vehicles), 50% straight line (used vehicles)
Plant and Equipment	-	33% straight line

No depreciation is charged on Land and Buildings or Standing Timber.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Investment properties are included in property, plant and equipment under the cost method. The director's consider that undue cost or effort would be required in order to obtain a reliable measure of fair value.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

Investments in joint ventures

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Government grants

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

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

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

3. **Accounting policies** *(continued)*

Financial instruments *(continued)*

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. **Employee numbers**

The average number of persons employed by the company during the year amounted to 7 (2017: 7).

5. **Tangible assets**

	Freehold property	Motor vehicles	Equipment	Standing Timber	**Total**
	£	£	£	£	**£**
Cost					
At 1 November 2017	8,652,555	96,455	95,292	195,993	9,040,295
Additions	914,393	18,134	11,915	–	944,442
Disposals	–	(13,620)	(39,064)	–	(52,684)
At 31 October 2018	9,566,948	100,969	68,143	195,993	9,932,053
Depreciation					
At 1 November 2017	–	48,173	64,674	–	112,847
Charge for the year	–	17,025	17,219	–	34,244
Disposals	–	(11,197)	(30,752)	–	(41,949)
At 31 October 2018	–	54,001	51,141	–	105,142
Carrying amount					
At 31 October 2018	9,566,948	46,968	17,002	195,993	9,826,911
At 31 October 2017	8,652,555	48,282	30,618	195,993	8,927,448

6. Investments

	Shares in group undertakings £	Shares in participating interests £	Other investments £	**Total £**
Cost				
At 1 November 2017	21,469,098	1,523,543	596,380	23,589,021
Revaluations	839,933	(47,457)	–	792,476
At 31 October 2018	22,309,031	1,476,086	596,380	24,381,497
Impairment				
At 1 November 2017	–	–	–	–
Impairment losses	–	–	717	717
At 31 October 2018	–	–	717	717
Carrying amount				
At 31 October 2018	22,309,031	1,476,086	595,663	24,380,780
At 31 October 2017	21,469,098	1,523,543	596,380	23,589,021

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Highlands & Islands Investments Limited	Ordinary	100
Lovat Investments Limited (held by Highlands & Islands Investments Limited)	Ordinary	100

The results and capital and reserves for the year are as follows:

	Capital and reserves **2018** £	Capital and reserves 2017 £	Profit/(loss) for the year **2018** £	Profit/(loss) for the year 2017 £
Subsidiary undertakings				
Highlands & Islands Investments Limited	22,309,031	21,469,098	145,024	514,870
Lovat Investments Limited (held by Highlands & Islands Investments Limited)	10,047,722	10,130,483	(82,761)	724,301

Investments in associates and joint ventures

Lovat Highland Estates Limited has a 49% holding in SLITCO Limited. During the year, SLITCO Limited made a loss after tax of £96,851 (2017: £417,991) and at the end of the year the aggregate of its capital and reserves was £3,012,420 (2017: £3,109,271). Lovat Highland Estates Limited's attributable share of its net assets was £1,476,086 (2017: £1,523,543) at that date.

7. Debtors

	2018 £	2017 £
Trade debtors	16,912	27,637
Other debtors	17,107	37,257
	34,019	64,894

8. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	87,554	120,975
Amounts owed to group undertakings and undertakings in which the company has a participating interest	9,766,000	8,989,000
Social security and other taxes	12,325	7,776
Other creditors	81,103	71,969
	9,946,982	9,189,720

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

	2018	2017
	£	£
Other creditors	72,160	91,548

10. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018	2017
	£	£
Included in provisions	2,339,060	2,152,460

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018	2017
	£	£
Revaluation of tangible assets	2,339,060	2,152,460

The net reversal of deferred tax liabilities in 2018 is not possible to quantify at this stage as this will relate to fair value adjustments of investments.

The company has unused tax losses of £1,226,712 (2017: £1,332,871) carried forward at 31 October 2018 and there is no expiry date for these. The above deferred tax capital gains liability has been calculated after offset of these losses.

11. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	**£**	No.	£
Ordinary shares of £1 each	150,000	150,000	150,000	150,000

12. Capital commitments

At the year end the company had capital commitment of £nil (2017: £400,000).

13. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £38,317 (2017: £34,466). There were no contributions outstanding at the year end.

14. Summary audit opinion

The auditor's report for the year was unqualified.

The senior statutory auditor was Jeremy Chittleburgh CA, for and on behalf of Chiene + Tait LLP.

15. Related party transactions

The company has chosen to apply the exemption under FRS 102 Section 1A from disclosing related party transactions.

16. Controlling party

In the directors' opinion, the company's ultimate parent undertaking is Lovat Estates Trust.