

Registered number: SC179037

Lovat Highland Estates Ltd

Report and financial statements

For the year ended 31 October 2016



Lovat Highland Estates Ltd

Company Information

Directors	Mr I D Shepherd Mr S W Mack Mr J MacRae
Company secretary	Mr I D Shepherd
Registered number	SC179037
Registered office	Lovat Estates Office Beauly Inverness-shire IV4 7DA
Independent auditors	Ernst & Young LLP Barony House Stoneyfield Business Park Inverness IV2 7PA
Bankers	Bank of Scotland High Street Beauly Inverness-shire IV4 7BS
Solicitors	Wright Johnston & Mackenzie LLP Green House Beechwood Park North Inverness IV2 3BL

Lovat Highland Estates Ltd

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**Directors' responsibilities statement
For the year ended 31 October 2016**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make 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.

Balance sheet
As at 31 October 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	3	8,568,970	8,263,873
Investments	4	21,937,551	20,261,116
		<u>30,506,521</u>	<u>28,524,989</u>
Current assets			
Debtors: amounts falling due within one year	5	94,599	49,034
Cash at bank and in hand	6	42,728	98,667
		<u>137,327</u>	<u>147,701</u>
Creditors: amounts falling due within one year	7	(8,799,460)	(8,489,903)
Net current liabilities		<u>(8,662,133)</u>	<u>(8,342,202)</u>
Total assets less current liabilities		<u>21,844,388</u>	<u>20,182,787</u>
Provisions for liabilities			
Deferred tax	9	(1,986,047)	(1,827,876)
		<u>(1,986,047)</u>	<u>(1,827,876)</u>
Accruals and deferred income	10	(110,937)	(130,325)
Net assets		<u><u>19,747,404</u></u>	<u><u>18,224,586</u></u>
Capital and reserves			
Called up share capital		150,000	150,000
Revaluation reserve		13,631,238	12,112,974
Profit and loss account		5,966,166	5,961,612
		<u><u>19,747,404</u></u>	<u><u>18,224,586</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities. The directors have not delivered a copy of the company's profit and loss account to the Registrar, as permitted by Section 444 (1) and in accordance with Section 444 (5A).

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

3 May 2017

Iain D Shepherd

Mr I D Shepherd

Director

The notes on pages 4 to 14 form part of these financial statements.

Lovat Highland Estates Ltd

**Statement of changes in equity
For the year ended 31 October 2016**

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 November 2015	150,000	12,112,974	5,961,612	18,224,586
Comprehensive income for the year				
Profit for the year	-	-	4,554	4,554
Surplus on revaluation of fixed asset investments	-	1,676,435	-	1,676,435
Deferred tax on revaluation of fixed asset investments	-	(158,171)	-	(158,171)
Other comprehensive income for the year	-	1,518,264	-	1,518,264
Total comprehensive income for the year	-	1,518,264	4,554	1,522,818
At 31 October 2016	150,000	13,631,238	5,966,166	19,747,404

**Statement of changes in equity
For the year ended 31 October 2015**

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 November 2014	150,000	11,407,006	5,975,917	17,532,923
Comprehensive income for the year				
Loss for the year	-	-	(14,305)	(14,305)
Surplus on revaluation of fixed asset investments	-	742,160	-	742,160
Deferred tax on revaluation of fixed asset investments	-	(36,192)	-	(36,192)
Other comprehensive income for the year	-	705,968	-	705,968
Total comprehensive income for the year	-	705,968	(14,305)	691,663
At 31 October 2015	150,000	12,112,974	5,961,612	18,224,586

The notes on pages 4 to 14 form part of these financial statements.

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

1. Accounting policies

1.1 Statement of compliance and basis of preparation

Lovat Highland Estates Limited is a limited liability company incorporated in Scotland. The registered office is Lovat Estates Office, Beauly, Inverness-shire, IV4 7DA.

The financial statements have been prepared in compliance with Section 1A of Financial Reporting Standard 102, as it applies to the financial statements of the Company for the year ended 31 October 2016. The financial statements are prepared in sterling which is the functional currency of the company.

The company has early adopted the amendments in relation to The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) for the year ended 31 October 2016.

The company is parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 November 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 14.

1.2 Audit report information

The auditor's report on the accounts and reports for the financial year ended 31 October 2016, which was audited by Ernst & Young LLP and signed on behalf of the auditor by Eunice McAdam as Senior Statutory Auditor, was unqualified and did not contain any matters to which the auditor drew attention by way of emphasis.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimations have had the most significant effect on amounts recognised in the financial statements:

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 the company's shareholding proportion of their net assets, adjusted for the expected impact of transitioning to FRS102. The underlying assets of these investments are managed investment portfolios.

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

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.5 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold land and buildings	-	nil
New motor vehicles	-	25% reducing balance
Used motor vehicles	-	50% straight line
Plant and equipment	-	33.3% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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.

1.6 Valuation of investments

Investment in subsidiaries and participating undertakings are initially recorded at cost then remeasured to fair value at each balance sheet date. Gains and losses on remeasurement are recognised in other comprehensive income

Other investments are valued at cost less any provisions for impairment..

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

1. Accounting policies (continued)

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.11 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 profit or loss in the same period as the related expenditure.

1.12 Finance costs

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

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

1. Accounting policies (continued)

1.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.14 Interest income

Interest income is recognised in profit or loss using the effective interest method.

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Employees

The average monthly number of employees, including directors, during the year was 7 (2015 - 7).

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

3. Tangible assets

	Heritable property £	Standing Timber £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 November 2015	8,018,921	195,993	71,265	55,309	8,341,488
Additions	267,073	-	47,690	18,900	333,663
Disposals	(500)	-	(22,500)	-	(23,000)
At 31 October 2016	<u>8,285,494</u>	<u>195,993</u>	<u>96,455</u>	<u>74,209</u>	<u>8,652,151</u>
Depreciation					
At 1 November 2015	-	-	33,475	44,140	77,615
Charge for the period on owned assets	-	-	15,980	7,192	23,172
Disposals	-	-	(17,606)	-	(17,606)
At 31 October 2016	<u>-</u>	<u>-</u>	<u>31,849</u>	<u>51,332</u>	<u>83,181</u>
Net book value					
At 31 October 2016	<u>8,285,494</u>	<u>195,993</u>	<u>64,606</u>	<u>22,877</u>	<u>8,568,970</u>
At 31 October 2015	<u>8,018,921</u>	<u>195,993</u>	<u>37,790</u>	<u>11,169</u>	<u>8,263,873</u>

No depreciation is charged on buildings as the directors are of the opinion that the amount of depreciation which would have had to be provided is not material.

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

4. Investments

	Shares in group undertakings £	Shares in associated undertakings £	Other investments £	Total £
Cost or valuation				
At 1 November 2015	18,563,795	1,103,091	594,230	20,261,116
Revaluations	1,460,803	215,632	-	1,676,435
At 31 October 2016	20,024,598	1,318,723	594,230	21,937,551
Net book value				
At 31 October 2016	20,024,598	1,318,723	594,230	21,937,551
At 31 October 2015	18,563,795	1,103,091	594,230	20,261,116

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Highlands & Islands Investments Limited	Scotland	Ordinary	100 %	Investment company
Lovat Investments Limited (held by Highlands & Islands Investments Limited)	Scotland	Ordinary	100 %	Investment company

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

4. Investments (continued)

The aggregate of the share capital and reserves as at 31 October 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Highlands & Islands Investments Limited	21,007,604	310,969
Lovat Investments Limited (held by Highlands & Islands Investments Limited)	9,406,182	254,449
	<u>30,413,786</u>	<u>565,418</u>

Participating interests

Lovat Highland Estates Ltd has a 49% holding in SLITCO Limited. During the latest financial period to 31 October 2016, SLITCO Limited made a profit after tax of £144,935 (2015 - £133,819) and at the end of the period the aggregate of its capital and reserves was £2,802,452 (2015 - £2,328,858). Lovat Highland Estates Ltd's attributable share of its net assets was £1,373,197 (2015 - £1,141,140) at that date.

5. Debtors: amounts falling due within one year

	2016 £	2015 £
Trade debtors	19,609	16,622
Other debtors	74,990	32,412
	<u>94,599</u>	<u>49,034</u>

6. Cash at bank and in hand

	2016 £	2015 £
Cash at bank and in hand	42,728	98,667
	<u>42,728</u>	<u>98,667</u>

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

7. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	59,431	29,339
Amounts owed to group undertakings	8,672,000	8,389,929
Other taxation and social security	7,639	7,182
Other creditors	60,390	63,453
	<u>8,799,460</u>	<u>8,489,903</u>

8. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	42,728	98,667
	<u>42,728</u>	<u>98,667</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

9. Deferred taxation

	2016 £
At beginning of year	(1,827,876)
Charged to other comprehensive income	(158,171)
At end of year	<u>(1,986,047)</u>

The provision for deferred taxation is made up as follows:

	2016 £
Revaluation of investments	(1,986,047)
	<u>(1,986,047)</u>

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

10. Accruals and deferred income

	2016 £	2015 £
Balance brought forward	(130,325)	(149,713)
Released in the year	19,388	19,388
	<u>(110,937)</u>	<u>(130,325)</u>

11. 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 £35,855 (2015: £28,117). There were no contributions outstanding at the year end.

12. Related party transactions

a) At 31 October 2016 the loan due to Highlands & Islands Investments Limited was £6,625,000 (2015 - £6,312,000). The loan is repayable on demand and is interest free. Iain D Shepherd was the director of Highlands & Islands Investments Limited during the year.

b) At 31 October 2016 there was an amount of £2,047,000 (2015 - £2,047,000) outstanding to Lovat Estates Trust the company's parent undertaking. This loan is unsecured and is interest free.

c) During the year the company provided accounting and management services of £23,900 (2015 - £23,900) to related parties.

13. Controlling party

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

Lovat Highland Estates Ltd

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

14. First time adoption of FRS 102

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

		As previously stated 1 November 2014 £	Effect of transition 1 November 2014 £	FRS 102 (as restated) 1 November 2014 £	As previously stated 31 October 2015 £	Effect of transition 31 October 2015 £	FRS 102 (as restated) 31 October 2015 £
	Note						
Fixed assets	1	28,415,320	(858,143)	27,557,177	29,418,352	(893,363)	28,524,989
Current assets		233,297	-	233,297	147,701	-	147,701
Creditors: amounts falling due within one year		(8,316,154)	-	(8,316,154)	(8,489,903)	-	(8,489,903)
Net current liabilities		(8,082,857)	-	(8,082,857)	(8,342,202)	-	(8,342,202)
Total assets less current liabilities		20,332,463	(858,143)	19,474,320	21,076,150	(893,363)	20,182,787
Provisions for liabilities	1	(149,713)	(1,791,684)	(1,941,397)	(130,325)	(1,827,876)	(1,958,201)
Net assets		20,182,750	(2,649,827)	17,532,923	20,945,825	(2,721,239)	18,224,586
Capital and reserves		20,182,750	(2,649,827)	17,532,923	20,945,825	(2,721,239)	18,224,586

Lovat Highland Estates Ltd

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

14. First time adoption of FRS 102 (continued)

	As previously stated 31 October 2015 £	Effect of transition 31 October 2015 £	FRS 102 (as restated) 31 October 2015 £
Note			
Turnover	656,437	-	656,437
Cost of sales	(486,299)	-	(486,299)
	<hr/>	<hr/>	<hr/>
	170,138	-	170,138
Administrative expenses	(215,295)	-	(215,295)
Other operating income	61,024	-	61,024
	<hr/>	<hr/>	<hr/>
Operating profit	15,867	-	15,867
Interest receivable and similar income	755	-	755
Interest payable and similar charges	(30,927)	-	(30,927)
	<hr/>	<hr/>	<hr/>
Loss on ordinary activities after taxation and for the financial year	<hr/> (14,305) <hr/>	<hr/> - <hr/>	<hr/> (14,305) <hr/>

Explanation of changes to previously reported profit and equity:

- 1 A deferred tax liability has been created in relation to the revaluation of fixed asset investments. The value of fixed asset investments has also been reduced to take account of this requirement within the respective subsidiaries and participating undertakings. These adjustments have been recognised through other comprehensive income.