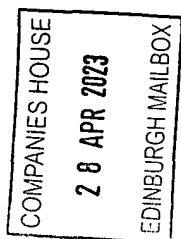


COMPANY REGISTRATION NUMBER: SC179037



**Lovat Estates Ltd**  
**Filleted Financial Statements**  
**For the year ended**  
**31 December 2022**



**Lovat Estates Ltd**  
**Financial Statements**  
**Year ended 31 December 2022**

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## **Lovat Estates Ltd**

### **Directors' Responsibilities Statement**

**Year ended 31 December 2022**

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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 Estates Ltd**  
**Statement of Financial Position**  
**31 December 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	6	30,766,987	25,668,094
Investments	7	20,358,641	21,192,055
		<u>51,125,628</u>	<u>46,860,149</u>
<b>Current assets</b>			
Stocks		23,592	—
Debtors	8	393,574	139,124
Cash at bank and in hand		<u>619,683</u>	<u>66,896</u>
		1,036,849	206,020
<b>Creditors: amounts falling due within one year</b>	9	<u>9,695,075</u>	<u>4,403,589</u>
<b>Net current liabilities</b>		<u>8,658,226</u>	<u>4,197,569</u>
<b>Total assets less current liabilities</b>		42,467,402	42,662,580
<b>Creditors: amounts falling due after more than one year</b>	10	23,154	14,851
<b>Provisions</b>		<u>4,891,170</u>	<u>5,236,934</u>
<b>Net assets</b>		<u>37,553,078</u>	<u>37,410,795</u>
<b>Capital and reserves</b>			
Called up share capital	13	150,000	150,000
Revaluation reserve		13,419,086	13,015,114
Profit and loss account		<u>23,983,992</u>	<u>24,245,681</u>
<b>Shareholders funds</b>		<u>37,553,078</u>	<u>37,410,795</u>

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 Section 1A of 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 23.March.2023., and are signed on behalf of the board by:

*Simon Lovat*

S Lovat  
 Director

Company registration number: SC179037

The notes on pages 3 to 12 form part of these financial statements.

# **Lovat Estates Ltd**

## **Notes to the Financial Statements**

**Year ended 31 December 2022**

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### **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, including the impact of ongoing economic challenges, 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.

## **Lovat Estates Ltd**

### **Notes to the Financial Statements** *(continued)*

**Year ended 31 December 2022**

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#### **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:

(i) Investments in subsidiaries and participating undertakings 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.

(ii) Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

#### **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.

Rental and wayleave income is recognised in the period to which it relates. Compensation is recognised at the point the company becomes entitled to it, receipt is probable, and the amount can be reliably estimated.

Dividends and other distributions received from investments are recognised as income when declared, when the company becomes entitled to them, and when amounts can be estimated reliably.

# Lovat Estates Ltd

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

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

#### 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. In this case, tax is recognised in other comprehensive income.

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.

#### 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

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 profit or loss.

#### Investments

Fixed asset investments are initially recorded at cost, and subsequently measured at fair value, with changes in fair value being recognised in other comprehensive income.

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

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# Lovat Estates Ltd

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

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

#### Investments in associates

Investments in associates are accounted for in accordance with the fair value model and 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.

#### 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.

#### Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

#### 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.



# Lovat Estates Ltd

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

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

#### Financial instruments

A financial asset or a financial liability is recognised only when the entity 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.

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

The company makes contributions to personal pension schemes on behalf of employees which are recognised as an expense in the period in which the related service is provided. The pension cost charge represents contributions payable by the company in the year.

### 4. Employee numbers

The average number of persons employed by the company during the year amounted to 9 (2021: 8).

### 5. Tax on profit/(loss)

#### Major components of tax expense

	2022 £	2021 £
<b>Deferred tax:</b>		
Origination and reversal of timing differences	798,022	726,417
<b>Tax on profit/(loss)</b>	<u>798,022</u>	<u>726,417</u>

#### Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items recognised as other comprehensive income or equity for the year was £(1,035,786) (2021: £1,032,910).

**Lovat Estates Ltd****Notes to the Financial Statements** *(continued)***Year ended 31 December 2022****5. Tax on profit/(loss)** *(continued)***Reconciliation of tax expense**

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit/(loss) on ordinary activities before taxation	536,333	(1,821,100)
Profit/(loss) on ordinary activities by rate of tax	101,903	(346,009)
Effect of expenses not deductible for tax purposes	45,963	6,281
Effect of revenue exempt from tax	(913,944)	(8,818)
Group relief surrender	54,616	66,019
Tax rate differences	664,513	626,317
Enhanced expenditure deduction	(547)	–
Group undertaking impairment	845,518	382,627
Tax on profit/(loss)	<u>798,022</u>	<u>726,417</u>

**Factors that may affect future tax expense**

The main corporation tax rate is now due to increase to 25% from 1 April 2023. Deferred tax has been calculated at 25%.

**6. Tangible assets**

	Motor vehicles £	Equipment £	Investment property £	Total £
<b>Cost or valuation</b>				
At 1 January 2022	82,403	83,633	25,615,678	25,781,714
Additions	38,517	18,400	4,827,037	4,883,954
Disposals	(18,132)	(2,150)	(7,852)	(28,134)
Revaluations	–	–	259,258	259,258
<b>At 31 December 2022</b>	<u>102,788</u>	<u>99,883</u>	<u>30,694,121</u>	<u>30,896,792</u>
<b>Depreciation</b>				
At 1 January 2022	38,077	75,543	–	113,620
Charge for the year	18,628	12,091	–	30,719
Disposals	(12,384)	(2,150)	–	(14,534)
<b>At 31 December 2022</b>	<u>44,321</u>	<u>85,484</u>	<u>–</u>	<u>129,805</u>
<b>Carrying amount</b>				
<b>At 31 December 2022</b>	<u>58,467</u>	<u>14,399</u>	<u>30,694,121</u>	<u>30,766,987</u>
At 31 December 2021	<u>44,326</u>	<u>8,090</u>	<u>25,615,678</u>	<u>25,668,094</u>

# Lovat Estates Ltd

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

### 6. Tangible assets *(continued)*

#### Tangible assets held at valuation

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Investment property £
<b>At 31 December 2022</b>	
Aggregate cost	16,410,387
Aggregate depreciation	—
<b>Carrying value</b>	<b>16,410,387</b>
<b>At 31 December 2021</b>	
Aggregate cost	11,591,202
Aggregate depreciation	—
<b>Carrying value</b>	<b>11,591,202</b>

### 7. Investments

	Shares in group undertakings £	Other investments £	Total £
<b>Cost</b>			
At 1 January 2022	24,363,450	408,120	24,771,570
Additions	4,478,231	—	4,478,231
Disposals	—	(201,600)	(201,600)
<b>At 31 December 2022</b>	<b>28,841,681</b>	<b>206,520</b>	<b>29,048,201</b>
<b>Impairment</b>			
At 1 January 2022	3,579,515	—	3,579,515
Impairment losses	4,478,231	—	4,478,231
Revaluations	631,814	—	631,814
<b>At 31 December 2022</b>	<b>8,689,560</b>	<b>—</b>	<b>8,689,560</b>
<b>Carrying amount</b>			
<b>At 31 December 2022</b>	<b>20,152,121</b>	<b>206,520</b>	<b>20,358,641</b>
At 31 December 2021	20,783,935	408,120	21,192,055

#### Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
<b>Subsidiary undertakings</b>		
Lovat Investments Limited (formerly Highlands & Islands Investments Limited)	Ordinary	100

# Lovat Estates Ltd

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

### 7. Investments *(continued)*

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

	Capital and reserves		Profit/(loss) for the year	
	2022	2021	2022	2021
	£	£	£	£
<b>Subsidiary undertakings</b>				
Lovat Investments Limited (formerly Highlands & Islands Investments Limited)	20,152,121	20,783,935	(631,814)	4,963,016

### Investments in associates and joint ventures

Lovat Estates Limited acquired a 100% share in Kirkton Farms Limited at a cost of £4,478,231 in the year. During this period the assets and liabilities of Kirkton Farms Limited were dissolved and transferred to Lovat Estate Limited. The investment was fully impaired on 24 June 2022 and has a carrying value of £nil.

### 8. Debtors

	2022	2021
	£	£
Trade debtors	126,449	92,516
Other debtors	267,125	46,608
	<u>393,574</u>	<u>139,124</u>

### 9. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	64,515	66,361
Amounts owed to group undertakings and undertakings in which the company has a participating interest	9,380,000	4,130,000
Social security and other taxes	7,358	16,333
Other creditors	243,202	190,895
	<u>9,695,075</u>	<u>4,403,589</u>

A charge over certain heritable property owned by the company has been created in respect of the £5,800,000 (2021: £2,150,000) due to Lovat Investments Limited.

### 10. Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Other creditors	<u>23,154</u>	<u>14,851</u>

# Lovat Estates Ltd

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2022

### 11. Deferred tax

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

	2022 £	2021 £
Included in provisions	<u>4,745,262</u>	<u>4,983,026</u>

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

	2022 £	2021 £
Revaluation of tangible assets	<u>2,659,367</u>	<u>2,659,367</u>

The net reversal of deferred tax liabilities in 2023 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 £135,645 (2021: £635,198) carried forward at 31 December 2022 and there are no expiry dates for these. The above deferred tax capital gains liability has been calculated after offset of these losses.

### 12. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2022 £	2021 £
<b>Financial assets measured at fair value through profit or loss</b>		
Financial assets measured at fair value through profit or loss	<u>19,743,458</u>	<u>20,783,935</u>

For the purposes of compliance with Financial Reporting Standard 102, investments in shares in group undertakings £20,152,121 (2021: £20,783,935) and participating interests £Nil (2021: £Nil) as set out in note 10 of the financial statements, are defined as financial instruments and are summarised above for disclosure purposes only.

### 13. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

### 14. Pension commitments

The company makes contributions to personal pension schemes on behalf of employees. The pension cost charge represents contributions payable by the company in the year and amounted to £19,629 (2021: £48,585). There were no contributions outstanding at the year end.

### 15. Summary audit opinion

The auditor's report for the year dated 23 March 2023 was unqualified.

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

## **Lovat Estates Ltd**

### **Notes to the Financial Statements** *(continued)*

**Year ended 31 December 2022**

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**16. Related party transactions**

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

**17. Controlling party**

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

**18. Change of company name**

On 24 June 2022 the company name was changes from Lovat Highland Estates Limited to Lovat Estates Limited.