

Registered number: SC361091

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Highland Fuels (Investments) Limited

Report and financial statements

For the Year Ended 31 December 2017

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COMPANIES HOUSE

Highland Fuels (Investments) Limited

Company Information

Directors	K A Matheson (resigned 1 July 2017) G G M Shand I M Cruden
Company secretary	Burness Paull LLP
Registered number	SC361091
Registered office	50 Lothian Road Festival Square Edinburgh EH3 9WJ
Independent auditors	Ernst & Young LLP Blenheim House Fountainhall Road Aberdeen Scotland AB15 4DT
Bankers	The Royal Bank of Scotland plc 29 Harbour Road Inverness IV1 1NU
Solicitors	Burness Paull LLP 120 Bothwell Street Glasgow G2 7JL

Highland Fuels (Investments) Limited

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Highland Fuels (Investments) Limited

Group strategic report For the Year Ended 31 December 2017

Introduction

The directors present their Strategic report for the year ended 31 December 2017.

Business review

The Group's key financial and other performance indicators during the year were as follows:

	2017 £'000	2016 £'000	Change %
Turnover	193,867	172,499	12%
Operating profit	1,725	1,597	8%
Profit after tax	1,343	1,190	13%
Shareholder's funds	12,000	11,901	1%
Average number of employees	209	206	1%

Turnover increased by 12% primarily as a result of the increase in oil prices over the year. Within this, the Filling Station business saw continued growth, reflecting on-going investment in that business. As a result the unit performed strongly and contributed to the rise in operating profit.

Profit after tax rose by 13% in 2017 and shareholders' funds increased to £11,999,805.

The average number of employees rose from 206 to 209.

Since the year end the group has continued to perform strongly with the first quarter results significantly ahead of the previous year.

Principal risks and uncertainties

Health, safety and environment

The nature of the Group's activities are such that the highest standards of health, safety and environmental stewardship is of the essence. Accordingly the provision of best practice training is a top priority and every precaution is taken otherwise to minimise risk. A full log is maintained of any occurrences for review by the Board of Directors.

Competitive risks

The Group operates in a highly competitive environment but is not exposed to over reliance on a small number of customers nor to a particular business sector. It also seeks to encourage customer loyalty by providing the highest practicable standard of service.

Credit risk

In order to minimise risk of loss through customers defaulting, a robust credit management process is in place, which involves credit insurance in appropriate circumstances.

Liquidity and cash flow risk

In addition to diligent credit control the Group's banking facilities have been structured to provide maximum flexibility to meet its trading needs.

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

G G M Shand
Director

G G M Shand
5-June-2018

Highland Fuels (Investments) Limited

**Directors' Report
For the Year Ended 31 December 2017**

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £1,343,076 (2016: £1,189,912).

The directors have paid a final dividend of nil (2016: £697,819). No further dividends are proposed

Directors

The directors who served during the year were.

K A Matheson (resigned 1 July 2017)
G G M Shand
I M Cruden

Future developments

The directors intend to continue with the management policies which have resulted in significant business growth in recent years. This essentially involves a combination of organic growth combined with appropriate synergetic acquisitions as and when suitable opportunities arise.

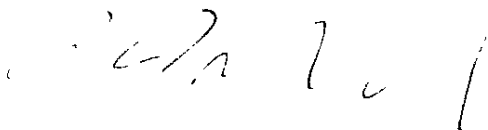
Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

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

G G M Shand
Director



5 June - 2018

Highland Fuels (Investments) Limited

**Directors' responsibilities statement
For the Year Ended 31 December 2017**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Highland Fuels (Investments) Limited

Opinion

We have audited the financial statements of Highland Fuels (Investments) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditors' report to the members of Highland Fuels (Investments) Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Highland Fuels (Investments) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

Date: 29 June 2018

Highland Fuels (Investments) Limited

**Consolidated statement of comprehensive income
For the Year Ended 31 December 2017**

	Note	2017 £	2016 £
Turnover	2	193,866,898	172,499,060
Cost of sales		<u>(181,912,641)</u>	<u>(160,457,225)</u>
Gross profit		11,954,257	12,041,835
Distribution costs		(3,040,306)	(3,177,601)
Administrative expenses		<u>(7,189,116)</u>	<u>(7,266,840)</u>
Operating profit	3	1,724,835	1,597,394
Interest receivable and similar income	7	874	4,466
Interest payable and similar expenses	8	<u>(25,837)</u>	<u>(30,449)</u>
Profit before tax		1,699,872	1,571,411
Tax on profit	9	<u>(356,796)</u>	<u>(381,499)</u>
Profit for the financial year		<u>1,343,076</u>	<u>1,189,912</u>
Deferred tax movement relating to revaluation of tangible fixed assets		(43,657)	31,846
Gain on current year revaluation of tangible fixed assets		<u>256,807</u>	<u>-</u>
Other comprehensive income for the year		213,150	31,846
Total comprehensive income for the year		<u>1,556,226</u>	<u>1,221,758</u>
Total comprehensive income for the year attributable to:			
Owners of the parent		<u>1,556,226</u>	<u>1,221,758</u>
		<u>1,556,226</u>	<u>1,221,758</u>

The notes on pages 16 to 33 form part of these financial statements.

Highland Fuels (Investments) Limited
Registered number: SC361091

Consolidated balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	11	2,421,568	2,585,641
Tangible assets	12	<u>9,019,505</u> 11,441,073	<u>8,715,426</u> 11,301,067
Current assets			
Stocks	14	1,434,335	1,418,433
Debtors, amounts falling due within one year	15	13,111,213	13,426,722
Cash at bank and in hand	16	<u>2,697,289</u>	<u>3,704,816</u>
		17,242,837	18,549,971
Creditors: amounts falling due within one year	17	<u>(16,090,951)</u>	<u>(17,201,450)</u>
Net current assets		1,151,886	1,348,521
Total assets less current liabilities		<u>12,592,959</u>	<u>12,649,588</u>
Creditors: amounts falling due after more than one year	18	(188,877)	(379,722)
Provisions for liabilities			
Deferred taxation	20	(404,277)	(369,037)
		<u>(404,277)</u>	<u>(369,037)</u>
Net assets		<u>11,999,805</u>	<u>11,900,829</u>
Capital and reserves			
Called up share capital	22	37,420	42,770
Share premium account	23	4,020,380	4,020,380
Capital redemption reserve	23	5,350	-
Revaluation reserve	23	213,150	-
Profit and loss account		<u>7,723,505</u>	<u>7,837,679</u>
		<u>11,999,805</u>	<u>11,900,829</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5/6/18

G G M Shand
Director

The notes on pages 16 to 33 form part of these financial statements.

Highland Fuels (Investments) Limited
Registered number: SC361091

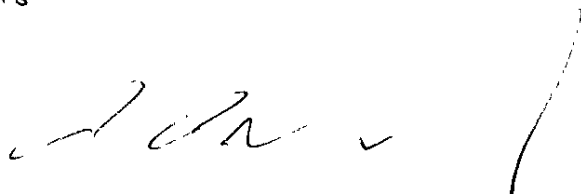
Company balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	13	<u>9,259,356</u>	<u>9,259,356</u>
		9,259,356	9,259,356
Current assets			
Debtors: amounts falling due within one year	15	<u>2,900,709</u>	<u>1,443,459</u>
		2,900,709	1,443,459
Creditors: amounts falling due within one year	17	<u>(8,096,915)</u>	<u>(6,639,665)</u>
Net current liabilities		<u>(5,196,206)</u>	<u>(5,196,206)</u>
Total assets less current liabilities		<u>4,063,150</u>	<u>4,063,150</u>
Net assets		<u>4,063,150</u>	<u>4,063,150</u>
Capital and reserves			
Called up share capital	22	37,420	42,770
Share premium account	23	4,020,380	4,020,380
Capital redemption reserve	23	<u>5,350</u>	<u>-</u>
Shareholders' funds		<u>4,063,150</u>	<u>4,063,150</u>

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

5-June-2018

G G M Shand
Director



Highland Fuels (Investments) Limited

**Consolidated statement of changes in equity
For the Year Ended 31 December 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2017	42,770	4,020,380	-	-	7,837,679	11,900,829
Profit for the year	-	-	-	-	1,343,076	1,343,076
Deferred tax movement relating to revaluation of tangible fixed assets	-	-	-	(43,657)	-	(43,657)
Gain on revaluation of tangible assets				256,807		256,807
Share buyback	(5,350)	-	5,350	-	(1,457,250)	(1,457,250)
At 31 December 2017	37,420	4,020,380	5,350	213,150	7,723,505	11,999,805

**Consolidated statement of changes in equity
For the Year Ended 31 December 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	42,770	4,020,380	7,313,740	11,376,890
Profit for the year	-	-	1,189,912	1,189,912
Deferred tax movement relating to revaluation of tangible fixed assets	-	-	31,846	31,846
Dividends, Equity capital	-	-	(697,819)	(697,819)
At 31 December 2016	42,770	4,020,380	7,837,679	11,900,829

The notes on pages 16 to 33 form part of these financial statements

Highland Fuels (Investments) Limited

**Company statement of changes in equity
For the Year Ended 31 December 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	42,770	4,020,380	-	-	4,063,150
Profit for the year	-	-	-	1,457,250	1,457,250
Share buyback	(5,350)	-	5,350	(1,457,250)	(1,457,250)
At 31 December 2017	37,420	4,020,380	5,350	-	4,063,150

**Company statement of changes in equity
For the Year Ended 31 December 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	42,770	4,020,380	-	4,063,150
Profit for the year	-	-	697,819	697,819
Dividends: Equity capital	-	-	(697,819)	(697,819)
At 31 December 2016	42,770	4,020,380	-	4,063,150

The notes on pages 16 to 33 form part of these financial statements.

Highland Fuels (Investments) Limited

**Consolidated statement of cash flows
For the Year Ended 31 December 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,343,076	1,189,912
Adjustments for:		
Amortisation of intangible assets	164,073	164,072
Depreciation of tangible assets	610,105	578,806
Loss on disposal of tangible assets	(14,704)	(16,339)
Increase in stocks	(15,902)	(219,843)
Interest paid	25,837	30,449
Interest received	(874)	(4,466)
Tax on profit	356,796	381,499
Decrease / (Increase) in trade and other debtors	315,509	(3,476,986)
(Decrease) / Increase in trade and other creditors	(1,019,729)	3,271,790
Corporation tax	(385,159)	(231,872)
Net cash generated from operating activities	<u>1,379,028</u>	<u>1,667,022</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(660,757)	(820,849)
Sale of tangible fixed assets	18,084	97,194
Interest received	874	4,466
Net cash from investing activities	<u>(641,799)</u>	<u>(719,189)</u>
Cash flows from financing activities		
Repayment of/new finance leases	(261,669)	(305,477)
Share buyback	(1,457,250)	-
Dividend paid	-	(697,819)
Interest paid	(795)	(974)
HP interest paid	(25,042)	(29,475)
Net cash used in financing activities	<u>(1,744,756)</u>	<u>(1,033,745)</u>
Net increase / (decrease) in cash and cash equivalents	<u>(1,007,527)</u>	<u>(85,912)</u>
Cash and cash equivalents at beginning of year	<u>3,704,816</u>	<u>3,790,728</u>
Cash and cash equivalents at the end of year	<u>2,697,289</u>	<u>3,704,816</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,697,289</u>	<u>3,704,816</u>
	<u>2,697,289</u>	<u>3,704,816</u>

**Notes to the financial statements
For the Year Ended 31 December 2017**

1. Accounting policies

1.1 Statement of compliance and basis of preparation

Highland Fuels (Investments) Limited is a limited liability company incorporated in Scotland. The registered office is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

The financial statements have been prepared in compliance with Financial Reporting Standard 102, as it applies to the financial statements of the Company for the year ended 31 December 2017. The financial statements have been prepared in sterling which is the functional currency of the Company

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of Highland Fuels (Investments) Limited and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Highland Fuels (Investments) Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

1.3 Judgements in applying accounting policies 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 balance sheet 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 are the Company's key sources of estimation uncertainty:

Revaluation of land and buildings and petrol stations and fuel storage

Land and buildings and petrol stations and fuel storage are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Company engaged Graham & Sibbald, Chartered Surveyors, to determine fair value at 31 December 2017.

Goodwill

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating unit to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses

Notes to the financial statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.4 Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible assets

Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life. If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the income statement is taken into account in determining the profit or loss on sale or discontinuance.

1.6 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.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the financial statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis

Buildings	- 2-20% straight line
Plant & machinery	- 10-50% straight line
Motor vehicles	- 10-33% straight line
Fixtures & fittings	- 10-33% straight line
Petrol stations and fuel storage	- 2.5% 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 the income statement.

1.7 Revaluation of tangible fixed assets

Land and buildings and petrol stations and fuel storage are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the income statement.

1.8 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**Notes to the financial statements
For the Year Ended 31 December 2017**

1. Accounting policies (continued)

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

1.11 Short term debtors and creditors

Short term debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

1.12 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the income statement 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 Group in independently administered funds.

Highland Fuels (Investments) Limited

Notes to the financial statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, 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 and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Marketing and distribution of fuel and operation of filling stations	193,865,648	172,495,360
Rental income	1,250	3,700
	<u>193,866,898</u>	<u>172,499,060</u>

All turnover arose within the United Kingdom

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

3. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	610,105	578,806
Amortisation of intangible assets, including goodwill	164,073	164,072
Defined contribution pension cost	124,274	115,508
Operating lease rentals - land and buildings	146,653	152,380
Operating lease rentals - other	33,985	45,918

4. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	49,500	47,750
Taxation compliance services	23,400	23,400
Taxation advisory services	12,250	12,250
Audit related assurance services	-	1,000

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

5. Employees

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	4,316,710	4,143,464	-	-
Social security costs	392,551	375,532	-	-
Cost of defined contribution scheme	124,274	115,508	-	-
	<u>4,833,535</u>	<u>4,634,504</u>	<u>-</u>	<u>-</u>

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

	2017 No.	2016 No.
Sales and distribution staff	189	187
Management and administrative staff	<u>20</u>	<u>19</u>
	<u>209</u>	<u>206</u>

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £NIL)

6. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	87,621	180,143
Company contributions to defined contribution pension schemes	16,200	22,260
Amounts paid to third parties in respect of directors' services	<u>37,800</u>	<u>125,600</u>
	<u>141,621</u>	<u>328,003</u>

During the year retirement benefits were accruing to 2 directors (2016: 2) in respect of defined contribution pension schemes.

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

7. Interest receivable

	2017 £	2016 £
Other interest receivable	874	4,466
	<u>874</u>	<u>4,466</u>

8. Interest payable and similar charges

	2017 £	2016 £
Finance leases and hire purchase contracts	25,042	29,475
Other interest payable	795	974
	<u>25,837</u>	<u>30,449</u>

9. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	388,617	367,484
Adjustments in respect of previous periods	(23,404)	8,388
Total current tax	<u>365,213</u>	<u>375,872</u>
Deferred tax		
Origination and reversal of timing differences	14,646	5,627
Adjustment in respect of previous periods	(23,063)	-
Total deferred tax	<u>(8,417)</u>	<u>5,627</u>
Taxation on profit on ordinary activities	356,796	381,499

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 – higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>1,699,872</u>	<u>1,571,411</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	327,226	314,282
Effects of:		
Expenses not deductible for tax purposes	144,321	70,806
Adjustments to tax charge in respect of prior periods	(46,494)	29,689
Other differences leading to an decrease in the tax charge	<u>(68,257)</u>	<u>(33,278)</u>
Total tax charge for the year	<u>356,796</u>	<u>381,499</u>

Factors that may affect future tax charges

The UK corporation tax rate will reduce to 19% for financial years beginning 1 April 2017 and will reduce to 17% for financial years beginning 1 April 2018. Deferred tax balances have been calculated at a rate of 17% as this is the rate at which the majority of the timing differences are expected to reverse.

10. Dividends

	2017 £	2016 £
Dividends paid on equity capital	<u>-</u>	<u>697,819</u>
	<u>-</u>	<u>697,819</u>

Highland Fuels (Investments) Limited

Notes to the financial statements
For the Year Ended 31 December 2017

11. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 January 2017	<u>3,166,441</u>
At 31 December 2017	<u>3,166,441</u>
Amortisation	
At 1 January 2017	580,800
Charge for the year	<u>164,073</u>
At 31 December 2017	<u>744,873</u>
Net book value	
At 31 December 2017	<u>2,421,568</u>
At 31 December 2016	<u>2,585,641</u>

Goodwill arising on the acquisition of Highland Fuels (Holdings) Limited is being amortised over its useful economic life of 20 years.

Goodwill arising on the acquisition of Thames Gold Holdings Limited and Lunargem Limited is being amortised over its useful economic life of 20 years.

Highland Fuels (Investments) Limited

Notes to the financial statements For the Year Ended 31 December 2017

12. Tangible fixed assets

Group	Land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Petrol stations and fuel storage £	Total £
Cost or valuation						
At 1 January 2017	938,894	6,150,557	48,649	404,675	5,912,317	13,455,092
Additions	3,670	358,785	-	75,815	222,487	660,757
Disposals	-	(169,794)	-	(56,205)	(4,104)	(230,103)
(Deficit) / surplus on revaluation	(56,488)	-	-	-	313,295	256,807
At 31 December 2017	886,076	6,339,548	48,649	424,285	6,443,995	14,142,553
Depreciation						
At 1 January 2017	54,221	3,787,025	15,405	383,531	499,484	4,739,666
Charge for the period on owned assets	26,855	390,092	9,730	18,193	165,235	610,105
Disposals	-	(169,794)	-	(56,205)	(724)	(226,723)
At 31 December 2017	81,076	4,007,323	25,135	345,519	663,995	5,123,048
Net book value						
At 31 December 2017	805,000	2,332,225	23,514	78,766	5,780,000	9,019,505
At 31 December 2016	884,673	2,363,532	33,244	21,144	5,412,833	8,715,426

Included in land and buildings is land at valuation of £191,155 (2016: £193,248), (cost £96,449 (2016: £96,449)) which is not depreciated.

Included in petrol stations and fuel storage is land at valuation of £2,251,321 (2016: £2,202,500) (cost £2,192,501 (2016: £2,192,501)) which is not depreciated.

The Group's land and buildings and petrol stations and fuel storage were revalued on 31 December 2017 by Graham & Sibbald, Chartered Surveyors, on an open market existing use basis. The valuations were carried out in accordance with the Royal Institution of Chartered Surveyors' valuation guidelines and IFRS 13.

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

12. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows.

	2017 £	2016 £
Plant and machinery	784,408	961,823
	<u>784,408</u>	<u>961,823</u>

Cost or valuation at 31 December 2017 is as follows.

	Land and buildings £	Petrol stations and fuel storage £
At cost	935,564	7,687,153
As at 31 December 2017 adjustment to (lower) / uplift cost to valuation	<u>(130,564)</u>	<u>(1,907,153)</u>
At valuation	<u>805,000</u>	<u>5,780,000</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2017 £	2016 £
Group		
Cost	935,564	931,894
Accumulated depreciation	<u>(165,022)</u>	<u>(164,777)</u>
Net book value	<u>770,542</u>	<u>767,117</u>

If the petrol stations and fuel storage had not been included at valuation they would have been included under the historical cost convention as follows:

	2017 £	2016 £
Group		
Cost	7,687,153	7,468,770
Accumulated depreciation	<u>1,300,859</u>	<u>(1,017,939)</u>
Net book value	<u>8,988,012</u>	<u>6,450,831</u>

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

13. Fixed asset investments**Company**

Shares in group
undertakings
£

Cost or valuation

At 1 January 2017 9,259,356

At 31 December 2017 9,259,356

Net book value

At 31 December 2017 9,259,356

At 31 December 2016 9,259,356

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Business
Highland Fuels (Holdings) Limited	Ordinary	100%	Holding company
Highland Fuels Limited*	Ordinary	100%	Fuels distributor
Aberdeen Oils Limited*	Ordinary	100%	Fuels distributor
* Thames Petroleum (Scotland) Limited*	Ordinary	100%	Property rental
SCM Property Holding Limited*	Ordinary	100%	Holding company
SCM Affric Limited*	Ordinary	100%	Property rental
SCM Scapa Limited*	Ordinary	100%	Property rental
SCM Mills Limited*	Ordinary	100%	Property rental
SCM County Limited*	Ordinary	100%	Property rental
SCM Huntly Limited*	Ordinary	100%	Property rental
SCM Campbeltown Limited*	Ordinary	100%	Property rental
SCM Kilwinning Limited*	Ordinary	100%	Property rental
SCM Toll Limited*	Ordinary	100%	Property rental
SCM Ardrossan Limited*	Ordinary	100%	Property rental
SCM Ravenspark Limited*	Ordinary	100%	Property rental
SCM Loans Limited*	Ordinary	100%	Property rental
SCM Kilbirnie Limited*	Ordinary	100%	Property rental
SCM Sheiling Limited*	Ordinary	100%	Property rental
SCM Darnley Mill Limited*	Ordinary	100%	Property rental
SCM Bobbin Limited*	Ordinary	100%	Property rental
SCM Sandybrae Limited*	Ordinary	100%	Property rental
SCM Pier Limited*	Ordinary	100%	Property rental
SCM Auchenhavie Limited*	Ordinary	100%	Property rental
SCM Riggend Limited*	Ordinary	100%	Property rental

*Held by a subsidiary undertaking.

For the year ended 31 December 2017 Thames Petroleum (Scotland) Limited was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

14. Stock

	Group 2017 £	Group 2016 £
Finished goods and goods for resale	1,434,335	1,418,433

Stock recognised in cost of sales during the year as an expense was £181,912,614 (2016: £160,457,225) for the Group.

The difference between purchase price and replacement cost is not material.

15. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	11,176,240	11,576,012	-	-
Amounts owed by group undertakings	-	-	2,900,709	1,433,459
Other debtors	1,430,881	1,376,651	-	-
Prepayments & accrued income	504,092	474,059	-	-
	<u>13,111,213</u>	<u>13,426,722</u>	<u>2,900,709</u>	<u>1,433,459</u>

An impairment loss of £167,558 (2016: £236,199) has been recognised against trade debtors by the Group and an impairment loss of £141,550 (2016: £209,892) has been recognised against trade debtors by the Company.

16. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	2,697,289	3,704,816	-	-
	<u>2,697,289</u>	<u>3,704,816</u>	<u>-</u>	<u>-</u>

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	12,894,186	13,020,926	-	-
Amounts owed to group undertakings	-	-	8,096,915	6,044,640
Corporation tax	202,327	222,273	-	-
Taxation and social security	128,717	103,001	-	-
Obligations under finance lease and hire purchase contracts	192,002	262,826	-	-
Other creditors	1,710,495	2,599,171	-	595,025
Accruals and deferred income	963,224	993,253	-	-
	<u>16,090,951</u>	<u>17,201,450</u>	<u>8,096,915</u>	<u>6,639,665</u>

Highland Fuels Limited and Aberdeen Oils Limited have granted a bond and floating charge in favour of RBS Invoice Finance Limited.

Highland Fuels Limited, Aberdeen Oils Limited and Thames Petroleum (Scotland) Limited have granted a multi-client guarantee in favour of RBS Invoice Finance Limited

On 19 September 2012, Highland Fuels Limited granted a floating charge in favour of Phillips 66 Limited over the whole of the assets of the Company

The Group overdraft facility is secured by a bond and floating charge in favour of The Royal Bank of Scotland plc over the whole of the property of Highland Fuels Limited and its subsidiaries and standard securities granted over certain of the Group's assets.

The above securities granted by Highland Fuels Limited are subject to a ranking agreement

18. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Net obligations under finance leases and hire purchase contracts	<u>188,877</u>	<u>379,722</u>	-	-

Hire purchase agreements are secured by retention of title over the relevant assets to which the agreements relate

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows.

	Group 2017 £	Group 2016 £
Within one year	192,002	262,826
Between 1-2 years	138,982	192,002
Between 2-5 years	49,895	187,720
	<u>380,879</u>	<u>642,548</u>

20. Deferred taxation**Group**

	2017 £	2016 £
At beginning of year	(369,037)	(395,256)
Adjustment in respect of prior years	8,417	-
Credited / (charged) to the profit or loss	-	(5,627)
(Charged) / credited to other comprehensive income	<u>(43,657)</u>	<u>31,846</u>
At end of year	<u>(404,277)</u>	<u>(369,037)</u>

	Group 2017 £	Group 2016 £
Fixed assets timing differences	(407,677)	(372,437)
Other timing differences	<u>3,400</u>	<u>3,400</u>
	<u>(404,277)</u>	<u>(369,037)</u>

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

21. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements. The profit after tax of the parent Company for the year was £1,457,250 (2016 - £697,819)

22. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
37,420 (2016 - 42,770) Ordinary shares of £1 each	<u>37,420</u>	<u>42,770</u>

During the year, the Company repurchased 5,350 of its own shares having a nominal value of £1 for a consideration of £1,457,250. The purchase was made wholly out of profits available for distribution.

23. Reserves**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Revaluation reserve

This reserve is used to record increases in the fair value of land and buildings and petrol stations and fuel storage and decreases to the extent that such decrease relates to an increase on the same asset.

During the year, the Group's land and buildings and petrol stations and fuel storage were revalued by Graham & Sibbald, Chartered Surveyors, on an open market existing use basis and the resulting gain was recognised in other comprehensive income.

24. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £124,274 (2016 - £115,508).

Highland Fuels (Investments) Limited

**Notes to the financial statements
For the Year Ended 31 December 2017**

25. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Not later than 1 year	149,217	169,749
Later than 1 year and not later than 5 years	94,681	97,746
Later than 5 years	238,977	262,871
Total	482,875	530,366

26. Related party transactions

During the year the Group paid Kenneth Matheson £37,800 (2016: £125,600) in respect of director services. Kenneth Matheson was a director of Highland Fuels (Investments) Limited and resigned from this position on 1 July 2017.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £395,645 (2016: £414,710)

27. Controlling party

The controlling party identified by the Company is G G M Shand.