

COMPANY REGISTRATION NUMBER: SC179037

Lovat Highland Estates Ltd
Filleted Financial Statements
For the period 1 November 2019 to
31 December 2020



Lovat Highland Estates Ltd

Financial Statements

Period from 1 November 2019 to 31 December 2020

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Lovat Highland Estates Ltd

Directors' Responsibilities Statement

Period from 1 November 2019 to 31 December 2020

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Lovat Highland Estates Ltd

Statement of Financial Position

31 December 2020

	Note	31 Dec 20 £	31 Oct 19 (restated) £
Fixed assets			
Tangible assets	6	24,881,347	23,749,758
Investments	7	17,981,960	16,511,884
		<u>42,863,307</u>	<u>40,261,642</u>
Current assets			
Debtors	8	137,524	891,710
Cash at bank and in hand		177,365	69,434
		<u>314,889</u>	<u>961,144</u>
Creditors: amounts falling due within one year	9	2,076,540	2,434,630
Net current liabilities		<u>1,761,651</u>	<u>1,473,486</u>
Total assets less current liabilities		41,101,656	38,788,156
Creditors: amounts falling due after more than one year	10	30,153	52,772
Provisions		<u>3,477,607</u>	<u>2,760,369</u>
Net assets		<u>37,593,896</u>	<u>35,975,015</u>
Capital and reserves			
Called up share capital	14	150,000	150,000
Revaluation reserve		10,650,698	9,422,295
Profit and loss account		<u>26,793,198</u>	<u>26,402,720</u>
Shareholders funds		<u>37,593,896</u>	<u>35,975,015</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 2 June '21, and are signed on behalf of the board by:

Iain D Shepherd

I D Shepherd
Director

Company registration number: SC179037

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

Lovat Highland Estates Ltd

Notes to the Financial Statements

Period from 1 November 2019 to 31 December 2020

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, Beaully, 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.

The Statement of Comprehensive Income comparative figures have been re-presented to include gains or losses on disposal of fixed asset investments separately below operating profit, rather than within administrative expenses.

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 COVID 19, 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 Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

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.

Exceptional items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

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

No depreciation is charged on Land and Buildings or Standing Timber as the residual value is expected to be higher than the carrying value.

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.

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

3. Accounting policies *(continued)*

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.

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.

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 Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

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

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

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

4. Employee numbers

The average number of persons employed by the company during the period amounted to 8 (2019: 7).

5. Tax on profit

Major components of tax expense

	Period from 1 Nov 19 to 31 Dec 20 £	Year to 31 Oct 19 (restated) £
Deferred tax:		
Origination and reversal of timing differences	377,052	115,652
Tax on profit	<u>377,052</u>	<u>115,652</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 period was £232,186 (2019: £(1,339,076)).

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

5. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Period from 1 Nov 19 to 31 Dec 20	Year to 31 Oct 19 <i>(restated)</i>
	£	£
Profit on ordinary activities before taxation	767,530	9,820,991
Profit on ordinary activities by rate of tax	145,797	1,865,988
Effect of expenses not deductible for tax purposes	1,177	1,226
Effect of revenue exempt from tax	(139,691)	(1,626,029)
Adjustments in respect of property disposal gains	58,995	(277,209)
Group relief surrender	3,878	—
Tax rate differences	306,896	151,676
Tax on profit	377,052	115,652

Factors that may affect future tax expense

A reduction in the UK corporation tax charge from 19% to 17% was due to take effect from 1 April 2020, but has now been cancelled.

6. Tangible assets

	Motor vehicles £	Equipment £	Investment property £	Total £
Cost or valuation				
At 1 November 2019 (as restated)	100,967	70,991	23,703,873	23,875,831
Additions	—	12,642	437,540	450,182
Revaluations	—	—	699,069	699,069
At 31 December 2020	100,967	83,633	24,840,482	25,025,082
Depreciation				
At 1 November 2019	65,740	60,335	—	126,075
Charge for the period	10,115	7,545	—	17,660
At 31 December 2020	75,855	67,880	—	143,735
Carrying amount				
At 31 December 2020	25,112	15,753	24,840,482	24,881,347
At 31 October 2019	35,227	10,656	23,703,873	23,749,756

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

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 £
At 31 December 2020	
Aggregate cost	11,084,019
Aggregate depreciation	—
Carrying value	<u>11,084,019</u>
At 31 October 2019	
Aggregate cost	10,646,482
Aggregate depreciation	—
Carrying value	<u>10,646,482</u>

7. Investments

	Shares in group undertakings £	Shares in participating interests £	Other investments £	Total £
Cost				
At 1 November 2019 as restated	14,457,146	1,656,105	596,380	16,709,631
Revaluations	1,363,773	96,816	—	1,460,589
At 31 December 2020	<u>15,820,919</u>	<u>1,752,921</u>	<u>596,380</u>	<u>18,170,220</u>
Impairment				
At 1 November 2019 as restated	—	—	197,747	197,747
Impairment losses	—	—	716	716
Reversal of impairment losses	—	—	(10,203)	(10,203)
At 31 December 2020	<u>—</u>	<u>—</u>	<u>188,260</u>	<u>188,260</u>
Carrying amount				
At 31 December 2020	<u>15,820,919</u>	<u>1,752,921</u>	<u>408,120</u>	<u>17,981,960</u>
At 31 October 2019	<u>14,457,146</u>	<u>1,656,105</u>	<u>398,633</u>	<u>16,511,884</u>

Subsidiaries, associates and other investments

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

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

7. Investments *(continued)*

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

	Capital and reserves		Profit/(loss) for the year	
	31 Dec 20	31 Oct 19	31 Dec 20	31 Oct 19
	£	£	£	£
Subsidiary undertakings				
Lovat Investments Limited (formerly Highlands & Islands Investments Limited)	15,820,919	14,457,146	2,753,968	1,841,822
Maritime Shelf (LIL) Limited (formerly Lovat Investments Limited) (held by Highlands & Islands Investments Limited)	–	8,884,015	–	336,293

Investments in associates and joint ventures

Lovat Highland Estates Limited has a 49% holding in SLITCO Limited. During the period, SLITCO Limited made a profit after tax of £197,584 (2019: profit of £367,386) and at the end of the period the aggregate of its capital and reserves was £3,577,390 (2019: £3,379,806). Lovat Highland Estates Limited's attributable share of its net assets was £1,752,921 (2019: £1,656,105) at that date.

8. Debtors

	31 Dec 20	31 Oct 19 <i>(restated)</i>
	£	£
Trade debtors	94,013	711,966
Other debtors	43,511	179,744
	<u>137,524</u>	<u>891,710</u>

9. Creditors: amounts falling due within one year

	31 Dec 20	31 Oct 19 <i>(restated)</i>
	£	£
Trade creditors	24,272	96,486
Amounts owed to group undertakings and undertakings in which the company has a participating interest	1,855,000	2,222,000
Social security and other taxes	17,258	26,153
Other creditors	180,010	89,991
	<u>2,076,540</u>	<u>2,434,630</u>

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

	31 Dec 20	31 Oct 19 <i>(restated)</i>
	£	£
Other creditors	<u>30,153</u>	<u>52,772</u>

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

11. Deferred tax

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

	31 Dec 20	31 Oct 19 (restated)
	£	£
Included in provisions	<u>3,223,699</u>	<u>2,614,461</u>

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

	31 Dec 20	31 Oct 19 (restated)
	£	£
Revaluation of tangible assets	<u>1,970,197</u>	<u>1,643,965</u>

The net reversal of deferred tax liabilities in 2020 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 £852,965 (2019: £891,091) carried forward at 31 October 2020 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:

	31 Dec 20	31 Oct 19 (restated)
	£	£
Financial assets measured at fair value through profit or loss		
Financial assets measured at fair value through profit or loss	<u>17,543,938</u>	<u>16,113,251</u>

For the purposes of compliance with Financial Reporting Standard 102, investments in shares in group undertakings £15,820,919 (2019: £14,457,146) and participating interests £1,752,921 (2019: £1,656,105) as set out in note 10 of the financial statements, are defined as financial instruments and are summarised above for disclosure purposes only.

13. Prior period adjustments

During the year the land, property and fishing timeshares was revalued, with properties being reclassified as investment property. The effect of this is summarised in the table below.

	2019	Adjustment	2019 restated
£	£	£	£
Opening profit and loss account	6,027,646	10,669,735	16,697,381
Investment property fair value adjustment	—	647,505	647,505
Amount written back to investments	—	9,948	9,948
Profit for the financial year	9,163,538	(115,652)	9,047,886
Closing profit and loss account	15,191,184	11,211,536	26,402,720
Opening revaluation reserve	15,720,020	35,065	15,755,085
Revaluation of tangible assets	(6,336,675)	3,885	(6,332,790)
Closing revaluation reserve	9,383,345	38,950	9,422,295
Investment property	—	23,703,873	23,703,873
Other tangible assets	10,692,367	(10,646,484)	45,883

Lovat Highland Estates Ltd

Notes to the Financial Statements *(continued)*

Period from 1 November 2019 to 31 December 2020

14. Called up share capital

Issued, called up and fully paid

	31 Dec 20		31 Oct 19 (restated)	
	No.	£	No.	£
Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

15. 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 £47,235 (2019: £39,762). There were no contributions outstanding at the year end.

16. Events after the end of the reporting period

In February 2021, Lovat Highland Estates Limited acquired the remaining 51% of the shareholding in SLITCO Limited.

17. Summary audit opinion

The auditor's report for the period dated 1 July 2021 was unqualified.

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

18. Related party transactions

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

19. Controlling party

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

20. Going concern - covid 19

The impact of the pandemic on the general economy and working environment continues to result in uncertainty and operational and financial difficulties for business. The potential effect on the finances and activities of the company has been assessed by the directors, and steps have been taken to mitigate these risks, including regular monitoring of investment values. Having taken all of the above into account, the Directors are satisfied that existing reserves, as well as mitigation taken to date, provide reasonable assurance that the company can continue to operate for at least 12 months from the approval of these financial statements.