

Limited Liability Partnership Registration No. OC359134 (England and Wales)

JOG HIGHLANDS LLP
REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2015

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JOG HIGHLANDS LLP
LIMITED LIABILITY PARTNERSHIP INFORMATION

Designated members	Heritage Great Britain PLC John O'Groats Highlands Limited
Limited liability partnership number	OC359134
Registered office	1st Floor Whitecroft House 51 Water Lane Wilmslow Cheshire SK9 5BQ
Auditors	RSM UK Audit LLP 3 Hardman Street Manchester M3 3HF

JOG HIGHLANDS LLP
MEMBERS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015

The members present their report and financial statements for the year ended 31 March 2015.

Principal activities

The LLP's principal activity during the period was that of a land owner and developing holiday accommodation.

Designated Members

The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

Heritage Great Britain PLC
John O'Groats Highlands Limited

Policy on members' drawings

Members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial year, taking into account the anticipated cash needs of the LLP.

New members are required to subscribe a minimum level of capital and in subsequent years members are invited to subscribe for further capital, the amounts of which is determined by the performance and seniority of those members.

On a sale of the business or properties or on a resignation of a member, members shall share a return on capital in accordance with the terms of the Partnership Agreement.

Auditors

A resolution to reappoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the members



.....
E Kearney on behalf of John O'Groats Highlands Limited
Designated Member

17/12/15
.....

JOG HIGHLANDS LLP

MEMBERS' RESPONSIBILITIES IN THE PREPARATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under the 2008 regulations, the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that year. In preparing those financial statements, the members are required to:

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

Under the 2008 Regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and to enable them to ensure that the financial statements comply with those regulations. They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the designated members on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOG HIGHLANDS LLP

We have audited the financial statements on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership'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 Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on pages 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Limited Liability Partnership's affairs as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to Limited Liability Partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships 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 financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships' regime.

RSM UK Audit LLP

Graham Bond FCA (Senior Statutory Auditor)

for and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

3 Hardman Street

Manchester

M3 3HF

29/12/15

JOG HIGHLANDS LLP
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £	2014 £
Turnover		382,625	171,341
Cost of sales		(217,513)	(142,307)
Gross profit		165,112	29,034
Administrative expenses		(291,672)	(261,616)
Other operating income		3,801	-
Operating loss	2	(122,759)	(232,582)
Interest payable and similar charges		(127,559)	(110,381)
Retained loss for the financial year available for discretionary division among members		(250,318)	(342,963)

JOG HIGHLANDS LLP

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2015

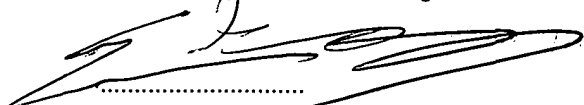
	Notes	2015 £	2014 £
Loss for the financial year available for division among members		(250,318)	(342,963)
Unrealised surplus/(deficit) on revaluation of properties		476,210	(3,178,158)
Total recognised gains and losses relating to the year		<u>225,892</u>	<u>(3,521,121)</u>

JOG HIGHLANDS LLP
BALANCE SHEET
AS AT 31 MARCH 2015

	Notes	2015		2014	
		£	£	£	£
Fixed assets					
Tangible assets	4		4,945,928		4,601,159
Current assets					
Stocks	5	5,627		4,235	
Debtors	6	8,545		12,283	
Cash at bank and in hand		3,889		3,704	
			18,061		20,222
Creditors: amounts falling due within one year	7	(13,288)		(84,471)	
Net current assets/(liabilities)			4,773		(64,249)
Total assets less current liabilities			4,950,701		4,536,910
Creditors: amounts falling due after more than one year	8		(2,899,082)		(2,771,523)
Accruals and deferred income	9		(1,807,499)		(1,807,499)
Net assets/(liabilities) attributable to members			244,120		(42,112)
Represented by:					
Members' other interests:					
Other reserves	10	(874,572)		(624,254)	
Revaluation reserve	10	(2,701,948)		(3,178,158)	
Members' capital	10	3,820,640		3,760,300	
			244,120		(42,112)
Total members interests			244,120		(42,112)
Members' other interests	10		244,120		(42,112)
			244,120		(42,112)

These financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 (as applied by the Limited Liability Partnerships (Accounts and Audit)(Application of the Companies Act 2006) Regulations 2008) applicable to limited liability partnerships subject to the small limited liability partnerships regime and the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements on pages 4 to 12 were approved by the members and authorised for issue on 17/12/15 and are signed on its behalf by:



E Kearney on behalf of John O'Groats Highlands Limited
Designated Member

JOG HIGHLANDS LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), and the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' issued in March 2010 (SORP 2010).

Going concern

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk: Guidance for UK Companies 2009". The Board has prepared detailed financial forecasts and cash flows looking 12 months ahead from the date the accounts are signed. In drawing up these forecasts the Board has made assumptions based upon its view of the current and future economic conditions that will prevail over the forecast period.

The LLP is reliant on group support to cover its working capital requirements.

The LLP has support from related parties, including its parent entities. These related parties are considered to have adequate capabilities to provide support as required and have formally confirmed that they will support the LLP and its parent undertaking for at least the next 12 months.

The current cash funding requirements prepared by management have given the members a reasonable expectation that the LLP will have sufficient resources available to continue in operational existence for the foreseeable future, with the confirmed continued support of its parent entities as noted above. For these reasons, the members consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover comprises revenue recognised by the company in respect of rents receivable during the period, exclusive of VAT.

Tangible fixed assets and depreciation

Tangible fixed assets include investment properties professionally valued by Chartered Surveyors on an existing use open market value basis. Other tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Development properties	none
Equipment	20% per annum
Fixtures & fittings	20% per annum

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), it is a departure from the general requirement of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) for all tangible assets to be depreciated. In the opinion of the members compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

JOG HIGHLANDS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

1 Accounting policies (Continued)

Government grants

Deferred government grants in respect of capital expenditure are repayable up until 10 years from the date of the last payment of the grant and are therefore included as a liability until that point in time.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

Taxation

The taxation payable on the partnership profits is solely the personal liability of the individual members consequently neither the partnership taxation nor the related deferred taxation arising in respect of the partnership are accounted for in these financial statements.

Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 25 (IAS 32) Financial Instruments: Disclosure and Presentation and UITF abstract 39 Members' shares in co-operative entities and similar instruments. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the Profit and Loss Account in the relevant year. To the extent that they remain unpaid at the period end, they are shown as liabilities in the Balance Sheet.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Profit and Loss Account and are equity appropriations in the Balance Sheet.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

All amounts due to members that are classified as liabilities are presented in the Balance Sheet within 'Loans and other debts due to members' and are charged to the Profit and Loss Account within 'Members' remuneration charged as an expense'. Amounts due to members that are classified as equity are shown in the Balance Sheet within 'Members' other interests'.

Heritage Great Britain PLC have a priority profit share of £65,000 per annum plus inflation.

Losses are carried forward in other reserves and are extinguished by future profits.

JOG HIGHLANDS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

2	Operating loss	2015	2014
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible fixed assets		
	- owned	158,908	133,672
	Auditor's remuneration for statutory audit	2,400	560
		<u> </u>	<u> </u>

3	Information in relation to members	2015	2014
		Number	Number
	The average number of members during the year was:	2	2
		<u> </u>	<u> </u>

4	Tangible fixed assets	Investment properties	Equipment	Fixtures & fittings	Total
		£	£	£	£
	Cost or valuation				
	At 1 April 2014	4,000,000	13,472	778,840	4,792,312
	Additions	23,790	-	3,677	27,467
	Revaluation	476,210	-	-	476,210
	At 31 March 2015	<u>4,500,000</u>	<u>13,472</u>	<u>782,517</u>	<u>5,295,989</u>
	Depreciation				
	At 1 April 2014	-	2,951	188,202	191,153
	Charge for the year	-	2,644	156,264	158,908
	At 31 March 2015	<u>-</u>	<u>5,595</u>	<u>344,466</u>	<u>350,061</u>
	Net book value				
	At 31 March 2015	<u>4,500,000</u>	<u>7,877</u>	<u>438,051</u>	<u>4,945,928</u>
	At 31 March 2014	<u>4,000,000</u>	<u>10,521</u>	<u>590,638</u>	<u>4,601,159</u>

The investment property was valued in May 2015 on an open market basis by Sanderson Weatherall, Chartered Surveyors, an independent surveyor registered with the RICS. No depreciation is provided in respect of investment properties or land.

The historical cost of the investment property was £7,201,948 (2014 - £7,178,158).

5	Stocks	2015	2014
		£	£
	Finished goods and goods for resale	5,627	4,235
		<u> </u>	<u> </u>

JOG HIGHLANDS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

6	Debtors	2015 £	2014 £
	Trade debtors	7,875	2,249
	Amounts owed by group undertakings	-	4,133
	Other debtors	670	5,901
		<u>8,545</u>	<u>12,283</u>

7	Creditors: amounts falling due within one year	2015 £	2014 £
	Trade creditors	5,437	44,123
	Other creditors	7,851	40,348
		<u>13,288</u>	<u>84,471</u>

8	Creditors: amounts falling due after more than one year	2015 £	2014 £
	Other loans	<u>2,899,082</u>	<u>2,771,523</u>

The other loan is secured by a debenture over the assets of the LLP.

Included within creditors falling due after more than one year is an amount of £2,899,082 (2014 - £2,771,523) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

9 Accruals and deferred income

	Government grants £
Balance at 1 April 2014 & at 31 March 2015	<u>(1,807,499)</u>

During the year ended 31 March 2013 the LLP signed an agreement to receive a development grant from Highlands and Islands Enterprise of up to £1,807,500 or 30% of eligible costs of development at John O'Groats, Scotland. The grant is repayable up until 10 years from the date of the last payment of this grant and is therefore included as a liability until that point in time.

JOG HIGHLANDS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

10 Members' interests

	Members' other interests			Total	Loans and other debts due to/(from) members	Total 2015	Total 2014
	Members' capital (classified as equity)	Re-valuation reserve	Other reserves				
	£	£	£				
Members' interests at 1 April 2014	3,760,300	(3,178,158)	(624,254)	(42,112)	-	(42,112)	2,834,033
Loss for the financial year available for discretionary division among members	-	-	(250,318)	(250,318)	-	(250,318)	(342,963)
Members' interests after loss for the year	3,760,300	(3,178,158)	(874,572)	(292,430)	-	(292,430)	2,491,070
Surplus arising on revaluation of fixed assets	-	476,210	-	476,210	-	476,210	(3,178,158)
Introduced by members	155,640	-	-	155,640	-	155,640	644,976
Repayments of capital	(95,300)	-	-	(95,300)	-	(95,300)	-
Members' interests at 31 March 2015	3,820,640	(2,701,948)	(874,572)	244,120	-	244,120	(42,112)

Ranking on winding up

If the LLP is wound up, and a surplus sum remains at the conclusion of the winding up, after payment of all money due to the creditors of the LLP and all expenses of the winding up, the liquidator shall pay that surplus sum to the Members in accordance with the respective proportions to the members capital contributions and division of profits.

11 Control

The LLP is controlled by its members as delegated to the management team and as such there is no one controlling party.

JOG HIGHLANDS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

12 Related party transactions

The LLP has taken advantage of the exemption offered by FRSSSE to wholly owned subsidiaries within a larger group, with regard to the disclosure of transactions with other group companies.

Natural Retreats UK Limited

EJ Kearney, MD Spence and A Wild are directors of the designated member John O'Groats Highlands Limited they together with the controlling party D Gorton have interests in Natural Retreats Management LLC, a company incorporated in the USA, and Natural Retreats Management Limited. Natural Retreats UK Limited was a subsidiary of Natural Retreats Management Limited until December 2014, when following a reorganisation, Natural Retreats UK Limited became a subsidiary of Natural Retreats Management LLC.

Natural Retreats UK Limited recharged costs for services provided of £254,324 (2014 - £228,111) during the year. Also during the year the LLP received income amounting to £382,625 (2014 - £169,971) from Natural Retreats UK Limited. There was a balance of £1,721 (2014 - £4,658) due to Natural Retreats UK Limited and a balance of £4,425 (2014 - £Nil) due from Natural Retreats UK Limited at the year end.

Natural Outfitters Limited

Natural Outfitters Limited is a wholly owned subsidiary of Natural Assets Investments Limited along with the designated member John O'Groats Highlands Limited.

During the year the LLP recharged expenses amounting to £Nil (2014 - £3,444) to Natural Outfitters Limited. At 31 March 2015 trade debtors included £Nil (2014 - £4,133) due from Natural Outfitters Limited.

During the year the LLP was recharged expenses amounting to £436 (2014 - £Nil) by Natural Outfitters Limited. At 31 March 2015 trade creditors includes £Nil (2014 - £Nil) due to Natural Outfitters Limited.

Heritage Great Britain plc

The designated member Heritage Great Britain plc recharged expenses amounting to £400 (2014 - £Nil) to the LLP. At 31 March 2015 trade creditors included £480 (2014 - £Nil) due to Heritage Great Britain plc.

The LLP has entered into a composite unlimited multilateral guarantee dated 22 December 2014 in respect of the bank borrowings of other group companies and K2 Equity Partners LLP. At 31 March 2015 the total borrowings covered by the guarantee amounted to £4,007,063 (2014: £nil).

D Gorton is a shareholder and ultimate controlling party of the ultimate parent company Natural Assets Investments Limited. D Gorton is also the controller of Nexus Partners LP. At 31 March 2015 other creditors includes £2,899,082 (2014 - £2,771,523) due to Nexus Partners LP with interest of 4.5% above 3 month LIBOR and is repayable in full on 11 June 2022.

The bank holds a debenture for any borrowings, which includes a fixed charge over all present freehold and leasehold property; a first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a first floating charge over all assets and undertaking both present and future.

There is a first legal Scottish charge dated 9 December 2014 over John O'Groats House Hotel, John O'Groats, Wick, KW1 4YR.