

81199

Lovat Investments Limited

Abbreviated Financial Statements

31 October 2002

 **ERNST & YOUNG**



Lovat Investments Limited

Registered No: 81199

Directors

The Hon Kim I M Fraser

Malcolm Fraser

Iain D Shepherd

(appointed 14 May 2002)

Secretary

Iain D Shepherd

Auditors

Ernst & Young LLP

Moray House

16 Bank Street

Inverness

IV1 1QY

Bankers

Bank of Scotland

High Street

Beauly

Inverness-shire

IV4 7BS

Solicitors

Torquil MacLeod & Co

5 Longman Road

Inverness

IV1 1RY

Registered Office

Lovat Estates Office

Beauly

Inverness-shire

IV4 7DA

Independent auditors' report

to the members of Lovat Investments Limited under Section 247B of the Companies Act 1985

We have examined the company's abbreviated accounts for the year ended 31 December 2002 which comprise the Abbreviated Balance Sheet, and the related notes 1 to 5 which have been prepared in accordance with applicable United Kingdom law, together with the company's financial statements for the year ended 31 December 2002 prepared under section 226 of the Companies Act 1985. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's directors, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditors' report under Section 247B 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

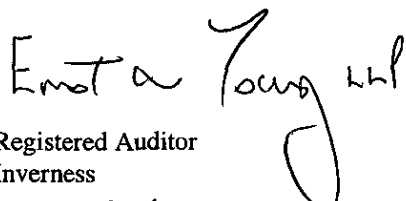
The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

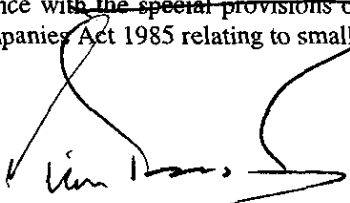
Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and 246(6) of the Companies 1985, and the abbreviated accounts are properly prepared in accordance with those provisions.

A handwritten signature in black ink that reads 'Ernst & Young LLP'. The signature is written in a cursive, flowing style.
Registered Auditor
Inverness
22/4/2003

Abbreviated balance sheet

As at 31 October 2002

| | Notes | 2002 £ | 2001 £ |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 2 | 1,626,503 | 1,877,081 |
| Current assets | | | |
| Debtors | | 1,598,104 | 1,594,534 |
| Cash at bank and in hand | | 672,724 | 139,881 |
| | | 2,270,828 | 1,734,415 |
| Creditors: amounts falling due within one year | | 6,558 | 6,385 |
| Net current assets | | 2,264,270 | 1,728,030 |
| Total assets less current liabilities | | 3,890,773 | 3,605,111 |
| Capital and reserves | | | |
| Called up share capital | 3 | 7,169,830 | 7,169,830 |
| Share premium account | | 10,773,999 | 10,773,999 |
| Revaluation reserve | | 9,121 | - |
| Profit and loss account | | (14,062,177) | (14,338,718) |
| <p>These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.</p> <div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">  14 Apr 03 Iain D Shepherd </div> <div style="text-align: right;">)) Director) </div> </div> | | | |
| Total equity shareholders' funds | | 3,890,773 | 3,605,111 |

Notes to the abbreviated accounts

At 31 October 2002

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention.

Investments

The company's investment portfolio is intended to be held for use on a continuing basis to provide income and capital growth. The investments are treated as fixed assets and under the Alternative Accounting Rules, are revalued annually with an adjustment to the company's revaluation reserve. In the case of listed securities the valuation is based on the middle market price at the balance sheet date.

2. Fixed asset investments

| | £ |
|-----------------------|-----------|
| Cost or market value: | |
| At 1 November 2001 | 1,877,081 |
| Additions | 519,792 |
| Disposals | (779,491) |
| Revaluation | 9,121 |
| | <hr/> |
| At 31 October 2002 | 1,626,503 |
| | <hr/> |

3. Share capital

| | | <i>Authorised</i> | | <i>Allotted, called up and fully paid</i> |
|-----------------------------|-------------|-------------------|-----------|---|
| | 2002 | 2001 | 2002 | 2001 |
| | No. | No. | £ | £ |
| Ordinary shares of 20p each | 100,000,000 | 100,000,000 | 7,169,830 | 7,169,830 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

4. Transactions involving directors and related parties

The directors had interests in the following transactions:

Included in expenses is an amount of £35,250 (including VAT) relating to management fees payable to Lovat Highland Estates Limited. This is for general management and accountancy costs for the company.

Malcolm Fraser and Iain D Shepherd were directors of Lovat Highland Estates Limited during the year ended 31 October 2002.

Included in debtors is a loan to the company's parent undertaking, Highlands and Islands Investments Limited of £1,595,542. This loan is unsecured and interest free.

The Hon Kim I M Fraser, Malcolm Fraser and Iain D Shepherd were directors of Highlands and Islands Investments Limited during the year ended 31 October 2002.

Notes to the abbreviated accounts

At 31 October 2002

5. Parent undertaking

The parent undertaking of the group of undertakings of which the company is a member is Highlands and Islands Investments Limited, a company registered in Scotland. During the year Highlands and Islands Investments Limited bought the remaining 9.6% of the share capital of the company and at 31 October 2002 owned 100% of the share capital of the company.

In the directors' opinion, the company's ultimate parent company is Lovat Highland Estates Limited, which is registered in Scotland and the ultimate controlling part is Lovat Estates Trust.