


Lovat Investments Limited

Report and Abbreviated Accounts

31 October 2004

 **ERNST & YOUNG**



Independent auditors' report

to Lovat Investments Limited pursuant to section 247B of the Companies Act 1985

We have examined the abbreviated accounts which comprise the Balance Sheet and the related notes 1 to 4, together with the financial statements of the company for the year ended 31 October 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, 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 members those matters we are required to state to them in an auditors' 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.

Respective responsibilities of directors and auditors

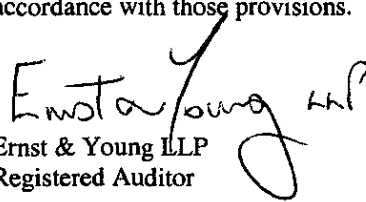
The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (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 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 (6) of the Act, and the abbreviated accounts on pages 2 to 4 are properly prepared in accordance with those provisions.


Ernst & Young LLP
Registered Auditor
Inverness

18 March 2005

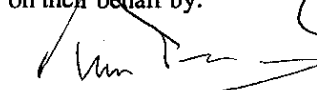
Abbreviated balance sheet

at 31 October 2004

	Notes	2004 £	2003 £
Fixed assets			
Investments	2	<u>1,982,328</u>	<u>1,793,135</u>
Current assets			
Debtors		2,834,131	3,042,125
Cash at bank and in hand		<u>20,876</u>	<u>4,721</u>
		2,855,007	3,046,846
Creditors: amounts falling due within one year		<u>16,559</u>	<u>22,877</u>
Net current assets		<u>2,838,448</u>	<u>3,023,969</u>
Total assets less current liabilities		<u><u>4,820,776</u></u>	<u><u>4,817,104</u></u>
Capital and reserves			
Called-up equity share capital	3	7,169,830	7,169,830
Share premium account		10,773,999	10,773,999
Revaluation reserve		717,293	895,374
Profit and loss account		<u>(13,840,346)</u>	<u>(14,022,099)</u>
Shareholders' funds		<u><u>4,820,776</u></u>	<u><u>4,817,104</u></u>

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on 18 March 2005 and are signed on their behalf by:


The Hon K I M Fraser
Director


I D Shepherd
Director

18 March 2005

Notes to the abbreviated accounts

at 31 October 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Fixed assets

All fixed assets are initially recorded at cost.

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 assets

	<i>Investments</i> £
<i>Cost or valuation</i>	
At 1 November 2003	1,793,135
Additions	728,641
Disposals	(542,535)
Revaluation	3,087
At 31 October 2004	<u>1,982,328</u>

The original cost of investments is £1,265,032.

The fixed asset investments are summarised as follows:

	2004 £	2003 £
Listed in the UK	423,426	174,062
Listed outside the UK	1,387,440	1,562,939
Listed on AIM	108,162	21,134
Unlisted	63,300	35,000
	<u>1,982,328</u>	<u>1,793,135</u>

No tax charge would arise on the disposal of revalued investments due to the availability of losses carried forward.

Notes to the abbreviated accounts

at 31 October 2004

3. Share capital

		2004		Authorised 2003	
		£		£	
Ordinary shares of £0.20 each		20,000,000		20,000,000	
		Allotted, called up and fully paid			
		2004		2003	
	No.	£		No.	£
Ordinary shares of £0.20 each	35,849,150	7,169,830	35,849,150	7,169,830	

4. Ultimate parent company

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. Highlands and Islands Investments Limited owned 100% of the share capital of the company at 31 October 2004 (2003 - 100%).

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