

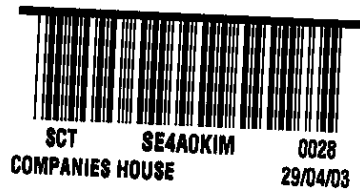
SC179637

Lovat Highland Estates Limited

Abbreviated accounts

31 October 2002

 **ERNST & YOUNG**



Registered No: 179037

Directors

Malcolm Fraser
Iain D Shepherd

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 auditor's report

to Lovat Highland Estates Limited under section 247B of the Companies Act 1985

We have examined the company's abbreviated accounts for the year ended 31 October 2002 which comprise a Balance Sheet and the related notes 1 to 6 which have been prepared in accordance with applicable United Kingdom Law, together with the company's financial statements for the year ended 31 October 2002 prepared under section 226 of the Companies Act 1985.

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 auditor's 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

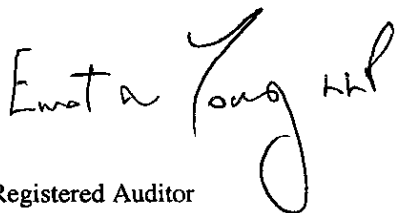
The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and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



Registered Auditor
Inverness

22/4/2003

Abbreviated Balance sheet

as at 31 October 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	2	3,915,301	3,993,205
Investments	3	3,593,430	93,334
		<u>7,508,731</u>	<u>4,086,539</u>
Current assets			
Debtors		88,425	104,463
Cash at bank and in hand		111,218	2,071,865
		<u>199,643</u>	<u>2,176,328</u>
Creditors: amounts falling due within one year		<u>5,208,636</u>	<u>4,600,311</u>
Net current liabilities		<u>(5,008,993)</u>	<u>(2,423,983)</u>
Total assets less current liabilities		<u>2,499,738</u>	<u>1,662,556</u>
Capital and reserves			
Called up share capital	4	150,000	150,000
Revaluation reserve		563,903	-
Profit and loss account		1,785,835	1,512,556

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Equity shareholders' funds

Iain O'Shepherd
Malcolm Fraser

Director

14/4/03

2,499,738 1,662,556

Notes to the abbreviated accounts

at 31 October 2002

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

Subsidiary undertakings

Subsidiary undertakings are entities over which the company exerts significant influence and in which it has a long term interest comprising an investment of more than 50% in the voting capital.

Investments

Subsidiary companies included within fixed asset investments are valued at the company's shareholding proportion of their net assets, with any surplus on revaluation being taken to a revaluation reserve.

Depreciation

No depreciation is charged on buildings as the directors are of the opinion that the amount of depreciation which would have had to be provided is not material.

No depreciation is charged on timber as the crop is growing and increasing in value.

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Office equipment	- 3 years
Used motor vehicles	- 2 years

Deferred taxation

Deferred taxation is fully provided for in respect of the taxation effect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Pensions costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the abbreviated accounts

at 31 October 2002

2. Tangible fixed assets

	<i>Total</i> £
Cost:	
At 1 November 2001	4,020,385
Additions	5,070
Disposals	(86,700)
At 31 October 2002	<u>3,938,755</u>
Depreciation:	
At 1 November 2001	27,180
Provided during the year	574
Relating to disposals	(4,300)
At 31 October 2002	<u>23,454</u>
Net book value at 31 October 2002	<u>3,915,301</u>
Net book value at 31 October 2001	<u>3,993,205</u>

No depreciation is charged on buildings as the directors are of the opinion that the amount of depreciation which would have had to be provided is not material.

3. Fixed asset investments

	<i>Associates</i> £	<i>Subsidiary undertakings</i> £	<i>Total</i> £
Cost or valuation:			
At 1 November 2001	93,334	-	93,334
Additions	-	3,593,430	3,593,430
Write down	(93,334)	-	(93,334)
At 31 October 2002	<u>-</u>	<u>3,593,430</u>	<u>3,593,430</u>

Notes to the abbreviated accounts

at 31 October 2002

3. Fixed asset investments (continued)

Details of the investments in which the company has 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Nature of business</i>	<i>Proportion of ordinary shares held</i>
Subsidiary undertakings:				
F A Properties Limited	Scotland	Ordinary shares	Dormant	100%
Highlands & Islands Investments Limited	Scotland	Ordinary shares	Investment company	51%
Associate:				
Strategic Marketing Ventures Limited	Scotland	Ordinary shares	Marketing	32.5%
SLITCO Limited	Scotland	Ordinary shares	Investment company	49%

F A Properties Limited became dormant on 30 October 2001.

During its latest financial period to 31 March 2002, Strategic Marketing Ventures Limited made a loss, after tax, of £226,316 and at the end of that period the aggregate of its capital and reserves was £(13,462). Lovat Highland Estates Limited's attributable share of its net assets was £(4,375) at that date.

During its latest financial period to 31 October 2002, Highlands & Islands Investments Limited made a profit, after tax, of £290,137, and at the end of that period the aggregate of its capital and reserves was £6,295,148. Lovat Highland Estates Limited's attributable share of its net assets was £3,210,525 at that date.

During its latest financial period to 31 October 2002, SLITCO Limited made a profit, after tax, of £126,676 and at the end of that period the aggregate of its capital and reserves was £781,438. Lovat Highland Estates Limited's attributable share of its net assets was £382,905 at that date.

4. Share capital

	<i>Authorised 2002 No.</i>	<i>Allotted, called up and fully paid 2002 £</i>
Ordinary shares of £1 each	5,000,000	150,000

Notes to the abbreviated accounts

at 31 October 2002

5. Related party transactions

- (a) During the year the company charged £30,000 for accountancy and management services provided to Highlands & Islands Investments Limited. Malcolm Fraser and Iain D Shepherd are directors of Highlands & Islands Investments Limited.
- (b) During the year the company charged £30,000 for accountancy and management services provided to Lovat Investments Limited. Malcolm Fraser and Iain D Shepherd are directors of Lovat Investments Limited.

6. Ultimate parent undertaking

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