

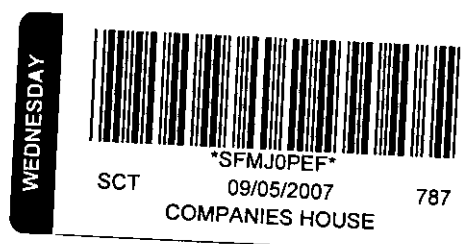
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Lovat Highland Estates Limited

Lovat Highland Estates Limited

Abbreviated accounts

For the year ended 31 October 2006



Independent Auditors' 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 2006 which comprise the Profit and Loss Account, the 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 October 2006 prepared under section 226 of the Companies Act 1985

This report is made solely to the company pursuant to section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

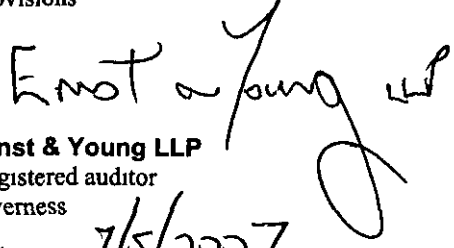
The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246 (5) and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

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin 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.

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 Act 1985, and the abbreviated accounts have been properly prepared in accordance with those provisions.



Ernst & Young LLP
Registered auditor
Inverness

Date

7/5/2007

Abbreviated Balance Sheet
As at 31 October 2006

	Note	£	2006 £	£	2005 £
Fixed assets					
Tangible fixed assets	2		4,108,814		4,120,327
Fixed asset investments	3		9,861,604		8,154,307
Investments in associates	3		469,609		433,695
			<u>14,440,027</u>		<u>12,708,329</u>
Current assets					
Debtors	4	134,186		85,362	
Cash at bank and in hand		143,891		100,882	
		<u>278,077</u>		<u>186,244</u>	
Creditors' amounts falling due within one year			<u>(6,256,238)</u>	<u>(6,512,877)</u>	
Net current liabilities			<u>(5,978,161)</u>		<u>(6,326,633)</u>
Total assets less current liabilities			<u>8,461,866</u>		<u>6,381,696</u>
Capital and Reserves					
Called up share capital	5		150,000		150,000
Revaluation reserve			4,605,181		2,861,970
Profit and loss account			3,706,685		3,369,726
Shareholders' funds			<u>8,461,866</u>		<u>6,381,696</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved and authorised for issue by the board and were signed on its behalf on 2 May 2007

Iain D Shepherd

Director

Kim [Signature]

Director

The notes on pages 3 to 5 form part of these financial statements

Notes to the abbreviated accounts For the year ended 31 October 2006

1. Accounting policies

1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

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

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

New motor vehicles	25%	reducing balance
Used motor vehicles	50%	straight line
Office equipment	33 3%	straight line

1.3 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.4 Pensions

The company makes contributions into defined contribution pension schemes on behalf of employees and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.5 Subsidiary undertaking

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.

1.6 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.

Notes to the abbreviated accounts
For the year ended 31 October 2006

2. Tangible fixed assets

	£
Cost or valuation	
At 1 November 2005	4,140,165
Additions	51,483
Disposals	(59,759)
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At 31 October 2006	4,131,889
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Depreciation	
At 1 November 2005	19,838
Charge for the year	3,237
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At 31 October 2006	23,075
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Net book value	
At 31 October 2006	4,108,814
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At 31 October 2005	4,120,327
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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

	£
Cost or valuation	
At 1 November 2005	8,588,002
Revaluations	1,743,211
	<hr/>
At 31 October 2006	10,331,213
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Subsidiary undertaking

The following was a subsidiary undertaking of the company

Highlands & Islands Investments Limited 100% of ordinary shares

The aggregate of the share capital and reserves as at 31 October 2006 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows

	<i>Aggregate of share capital and reserves</i> £	<i>Profit/(loss)</i> £
Highlands & Islands Investments Limited	9,861,605	426,195
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Notes to the abbreviated accounts
For the year ended 31 October 2006

3. Fixed asset investments (continued)

Participating interests

Lovat Highland Estates Limited has a 49% holding in SLITCO Limited. During the latest financial period to 31 October 2006, SLITCO Limited made a profit after tax of £59,393 and at the end of the period the aggregate of its capital and reserves was £958,386. Lovat Highland Estates Limited's attributable share of its net assets was £469,609 at that date.

4 Debtors

Included in other debtors is £40,000 relating to land at Mansefield, Kirkhill sold to a developer in return for a proportion of the sales price of the completed houses. The land has been transferred from fixed assets at cost and profit will be recognised as and when the completed houses are sold.

5. Share capital

	2006 £	2005 £
<i>Authorised</i>		
5,000,000 Ordinary Shares shares of £1 each	5,000,000	5,000,000
<i>Allotted, called up and fully paid</i>		
150,000 Ordinary Shares shares of £1 each	150,000	150,000